Dollar rise strains US-Japanese relations, Page 6

No. 30,575

Tuesday June 28 1988

EUROPE'S BUSINESS NEWSPAPER

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World News

Commuters killed in Paris train crash

Up to 15 people were feared dead after a rush hour train travelling at high speed crashed into a stationary substantial and supplier of disposable towels, plates and cups to restautionary substantial and supplier of the su tionary suburban train at the entrance to the Gare de Lyon station in Paris. At least 40 people were injured and about 20 were believed to be trapped inside the wreckage. About 250 rescue workers struggled to pull people from the trains. The collision hammened at 7.10 m is a product happened at 7.10pm in an under-ground level of the station.

Airbus inquest begins

Louis Mermaz, the French Transport Minister, ruled out technical or mechanical failure as the cause of the crash of an Air France A 320 Airbus on Sunday. Page 24. Earlier story, Page 2

Contadora group meets Foreign ministers and senior officials of eight Latin American countries met in Mexico, under the aegis of the Contadora Group, to try to boost Central American peace efforts. Shultz in Central America, Page 4

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Rabin In Washington

Yitzhak Rabin, the Israeli defence secretary, started a week's talks in Washington. As well as dis-cussing defence projects, US offi-cials are expected to be critical of israel's human rights record in the occupied territories.

Sihanouk peace formula Kampuchean guerrilla leaders have agreed on a programme for presentation at talks with Vietam next month. This envisages the establishment of a provi-sional government headed by Norodom Sihanouk Page 6

Soviet army chief for US Marshal Sergei Akhromeyev, TOKYO: The dollar's rise above Soviet Union's second highest Y131 re-ignited inflation fears in military chief, will visit the US in and dampened buying interest. the first two weeks of July.

No elections in Halti

Lieutenant-General Henri Nam- WALL STREET: The Dow Jones phy, who seized power in Haiti in Industrial Average closed down a military coup on June 19, has \$4.50 at 2,108.45. Page 44 promised the army will restore civil rights, but ruled out new pollar closed in New York at elections for the moment, Carib.

DML 8217, Y131.12, FFr6.1485 and bean reaction, page 4

Curb on lie tests

President Reagan signed a bill to prohibit most lie detector tests of STERLING closed in New York at employees by private companies.

Danish coalition wobbly Denmark's coalition government, formed at the beginning of this month following an election in May, has run into trouble over

China criticises Cocom China has criticised the regulations of the Paris-based Coordinating Committee on Strategic

Exports (Cocom) as an outdated product of the Cold War. Hungary-Romania row

Hungarians have demonstrated against Romanian plans to elimi-nate villages inhabited by the 1.7m-strong Hungarian minority in Romania. Page 3

Philippines bases

Raul Mangiapus, the Philippines' foreign secretary, asked the US to recognise that its military bases in the islands served only US purposes and to pay accordingly for their use.

rams, is to take a majority stake arrested two white South Africans suspected of spying against the African National Congress, whose headquarters are in the Zambian capital. Zambia arrests 'spies'

Dukakis manifesto short The manifesto being put forward by Michael Dukakis, the Democratic Party's candidate in November's US presidential election, will be the shortest statement of what the party stands for since 1932. Page 24

feet. Page 26

Market profiles

Market profiles

A series of world stock market profiles begins today with a look at Swiss markets. Page 44

Business Summary Fort Howard in \$3.57bn management

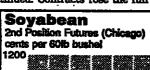
pany and supplier of disposable towels, plates and cups to restaurants and businesses, agreed to sell its business for \$3.57bn to a management group backed by MR MIKHAIL GORBACHEV, was management group backed by Morgan Stanley, Wall Street investment firm. Page 25

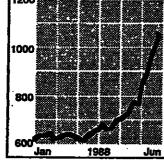
MR MIKHAIL GORBACHEV, was soviet leader, will today propose sweeping changes in the organisation of the ruling Communist to increase democracy and

buy-out

EUROPE'S leading public tele-phone companies agreed a scheme to establish a jointly owned data handling company for the entire area. Page 24

SOYAREAN prices gained ground in Chicago as the scorching th in the US Midwest continued. Contracts rose the full 30





cent limit for the day with the July contract closing at 1,056.5 cents per 60lb bushel. Commodi-

LONDON: Worse than expected UK trade figures sent share prices into a virtual free fall, with the market ignoring the potentially positive effects of the falling pound. An attempt by blue chips to rally on the stron-ger dollar failed as Wall Street opened weakly and the FT-SE 100 index lost 29.8 to 1,841.5. Page 40

The Nikkei average ended 121.20 lower than Saturday's close at 27,435.01. Page 44

DM1.8217, Y131.12, FFr6.1485 and SFr1.5080. It closed in London at DM1.8185 (DM1.8190), Y130.85 (Y130.60), FFr6.1375 (FFr6.1150), SFr1.5055 (unchanged). Page 33

\$1.7025. It closed in London at \$1.7030 (\$1.7250), DM3.0975 (DM3.1375), Y222.75 (Y225.25), FFr10.4525 (FFr10.5475),SFr2.5650 (SFr2.5975). Page 33

GATT: Seven countries tabled a detailed programme for negotia-ting cuts in tariff protection under the General Agreement on proposed relief for farmers. Page Tariffs and Trade. Page 5

> PORSCHE, West German luxury sports car maker hit by a slump in its sales, particularly in the US, is dropping its cheapest fourcylinder 924 model produced under contract by Audi in southern Germany. Page 25

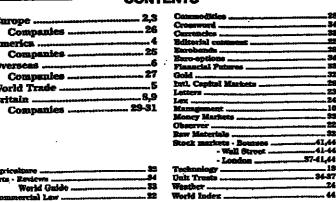
> TAIWAN: Five of the country's leading banks have applied for government approval to set up branches overseas, but have run into opposition from the finance ministry over proposed locations.

KOOR INDUSTRIES, leading Israeli industrial conglomerate, declared a 1987 loss equivalent to \$253m, more than double the previous record deficit for an Israeli

company. Page 29 FRANCE-QUICK, leading French hamburger chain with 80 restau-

RUROC, Swedish building materials, engineering and trading group, is negotiating the sale of Dynapac, its once troubled building equipment subsidiary recently been put back on its feet. Page 26

CONTENTS



VOTERS FIND IT HARD TO LIKE VICE PRESIDENT GEORGE BUSH

A perception of the Republican candidate's shortcomings has spread across the US, Page 23

Hungary: Revolutionary force in the business world WHY THE Washington: Shultz mission reflects dilemm on Central America Management: Consultancy and small businesses — a delicate relationship _______ 10 Technology: How a drop of water gets the oil moving. Editorial comment: Gorbachev's gamble; the perils of fast growth .

Gorbachev to press for restrictions on party's role in state

GORBACHEV'S OBJECTIVES Multi-candidate elections for party posts through secret ballots

and a 10-year limit on tenure

Open debates and decisions taken by majority vote Party, to increase democracy and limit the party's role in the state. He will present plans for mul-ti-candidate elections by secret ballot, restrictions on party offi- Non-interference by party bodies in day-to-day running of state enterprises

• Revived powers for elected bodies – the soviets Tougher criteria for party membership
 Partial replacement of Central Committee members between party congresses, by secret ballot
 Creation of single body to oversee party discipline and audit

cals' tenure of office and non-in-terference in the running of state enterprises, in the keynote speech of an extraordinary con-ference of the party – the first to be held for 47 years. Leading supporters of Mr Gorb-

achev's perestroika reform programme say the Communication of the control the saying properties of the control the control the saying properties of the control the control

committee.

The purpose of the exercise is to make "irreversible" Mr Gorbachev's reforms, still facing resistance from conservatives in the party, and public scepticism.

The key themes of the conference are a reassessment of the economic restructuring launched economic restructuring launched the newspaper of the Party's centre of the exercise is suggestion that Leon Trotsky, but the rest of the conservative will be held behind closed doors until the closing session.

Mr Yuri Sklyarov, the party propaganda chief, said this would make it easier for delegates to speak more freely, in what Mr economic restructuring launched the newspaper of the Party's centre of the conference will be held behind closed doors until the rest of the conservative will be held behind closed doors until the closing session.

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However, he faces an uncertain powerful Soviet security service, reception from 5,000 delegates,

and privilege.

Last-minute preparations for party platform to spell out key the conference were being thrashed out yesterday by party chiefs from all the republics, in full all the speeches at the

paring in seclusion over the past three weeks, will be televised live but the rest of the conference will debate in the run-up to the con-ference continued, with a public suggestion that Leon Trotsky.

cise the cult of secrecy and authoritarianism of the Stalin and Brezhnev years.

Long-time observers were surshould be brought more under

many of whom are long-serving more political control.

party officials with an interest in Mr Afanasyev, who is seen as ty officials with an interest in serving their present power more of a conservative than a meeting of the party's central privilege.

Mr Afanasyev, who is seen as prised to note that no plemary more of a conservative than a meeting of the party's central privilege. to approve the party leader's Editorial comment, Page 22;A-zerbaijan unrest, Page 3 Continued on Page 24

Media circus comes to town

BY QUENTIN PEEL IN MOSCOW

AS 5,000 delegates pour into Moscow for the Communist Party's extraordinary confer-ence, Soviet officials are using the lessons learned from th media circus of last month's superpower summit to handle the unprecedented international interest in the meeting.

centre, with deep-cushioned seats and the latest West Ger-man devices for simultaneous translation, has been taken over by the central committee's propaganda department.

A huge golden image of Vladimir Lenin – the only father of the revolution left with an untarnished name – has been erected for the benefit of the television cameras Sober-suited bureaucrats

the world's press, and even to reveal a few party secrets. In the streets, the red han-ners of May Day are up again, this time emblazoned with the key number every good Soviet citizen must take to heart: XIX

for the 19th party conference. Yet the new mood of

self-criticism means that even the slogans are not immune. Mr Nail Bikkenin, editor of Kommunist, the party's ideo-logical journal, said they were "loquacions and grandiloquent mottoes," quite apart from being impossible to read from a passing car. Mr Bikkenin was sitting beside the cadaverous Mr Yuri Sklyarov, head of the party propaganda depart-ment, when he said it.

The party faithful has com-nandeered the central committee hotel, and even the Rossiya, a 6,000-bedroom monstrosity built right outside the Kremlin walls by the now-reviled Leonid Brezhnev.

The delegate list looks like a peculiar mixture of the old and

new: a few the product of mass rallies summoned to reject a corrupt and self-serving party bureaucracy - like those from Sakhalin island, in the east-ernmost corner of the Soviet empire - while others are just as carefully pre-selected as for any party rally since the days of Joseph Stalin. Mr Mikhail Gorbachev has

appealed for staunch supporters of his perestrolka process to be sent. Yet from Leningrad, the Soviet Union's second city, only 11 of the 176 names repre-sent science, teaching, writing, art and culture, the most loyal backers of reform.

17 government men from Moscow, 44 full-time party offi-cials, the Komsomol, its youth wing and the trade unions. Seven come from the military and the KGB, 21 are top managers of state enterprises or institutes. Others are selected members of the working class, and some are from agriculture.

The conference agenda, resolutions to be discussed, and even the length of time it is to last, are being quiet until the last moment. Soviet television will resume as normal on Saturday, but state radio appears to think it will go on until Sunday. That at least smacks of good old-fashioned secrety, quite apart from confusing the

European leaders inch towards closer monetary co-operation

inching towards agreement on setting up a high-level study group into improving European monetary co-operation.

West Germany, hosting the EC summit, was trying to engineer a compromise bridging strong differences over a common European central bank between, on the one hand, the UK and other property of the common to the c

monetary co-operation.

West Germany, hosting the EC summit, was trying to engineer a compromise bridging strong differences over a common European central bank between, on the one hand, the UK and, on the other, France and litaly backed by the EC Commission.

Mr Helmut Kohl, the West German Chancellor reminded his fellow heads of government of the eventual goal of economic and monetary union. Optimism about the Community's momentum towards market integration was, however, punctuated by a warning from Mr Kohl that by removing internal barriers, EC member states might become more vulnerable to terrorism and drug summits in spots a large authority.

Mr Hams Dietrich Genscher, anthority.

Mr Hams Dietrich Genscher, the chief proponent in the Boun Government of a central bank, sompromise German proposal was that EC central bank governors should over the next year examine possible stepping-stones towards monetary union. UK officials suggested that Mrs Marmore progress in liberalising for more progress in liberalising financial services, transport, telecommunity is momentum to central bank.

France, though favouring a more full-blooded move towards on worker participation in compromise German proposal was that EC central bank governors should over the next year dicted it would be created within ten years.

Mrs Thatcher spoke up for British interests in calling for more progress in liberalising financial services, transport, telecommunity is momentum to go along with the German sugnitum to go along with the German sugnitum the Community level, such as rules on worker participation in compromise for more full-blooded move towards on worker participation in compromise German proposal was that EC central bank governors hould over the next year dicted it would be created within the surject of the chief proponent in the Bound Government of a central bank governors in the hould over the next year financial services, transport, telectric on investigation into a community level, such as rules of the chief proposal was the chi

Telecommunications: British Tele-

Lex: Markets; SG Warburg, Trusthouse Forte,

Prankfurt: Porsche, under pressure, drops its

com - clearing the line on prices

924 model

Morgan **Stanley** analyst on dealing charges By James Buchan in New York

MORGAN STANLEY, the blue-chip US investment bank, was yesterday caught up in Wall Street's insider trading scandals with the filing of major civil charges against a young securities analyst at the company.

The claim by the Securities and Exchange Commission that it had uncovered a multi-million dollar insider trading scheme involving Mr Steven Wang, a mergers and acquisitions analyst

mergers and acquisitions analyst at Morgan Stanley, is an embar-rassing blow to a firm long regarded as the best managed and most reputable of all Wall

The case, which the SEC says is its biggest since the Ivan Boesky affair two years ago, ends a lull in Washington's wide-ranging investigation of Wall Street.
There has been speculation that the SEC did not want to unsettle financial markets imme-diately after October's crash.

diately after October's crash.

Mr Gary Lynch, head of enforcement at the SEC, said yesterday that the agency had asked a federal court in New York to force Mr Wang, 24, and Mr Fred Lee, a 38-year-old Taiwanese businessman, to disgorde \$19m in illegal profits and pay triple that sum in damages. It was not clear yesterday whether Mr Rudolph Giuliani, the US Attorney who is iuliani, the US Attorney who is handling a parallel criminal investigation into Wall Street practice, would seek criminal harges against the two men. According to the SEC com-

plaint, which was filed yesterday in the New York court, Mr Wang passed "material non-public information" about takeovers and other price-sensitive corporate developments to Mr Lee after he joined Morgan Stanley's high-flying mergers and acquisi-tions department in March 1987.

From at least that July, the SEC says, he passed inside infor-mation on about 25 stocks, including E.F. Hutton (which was bought by Shearson Lehman), Stop & Shop (which went private) and Federated Department Stores, which was bought by Campeau of Canada. The SEC said the

UK trade deficit may force new rise in base rates

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT,

London's financial markets economy, there was serious officencer is in base rates from the present 9 per cent to 9½ or 10 per cent later this week — most probably today — following a slump in sterling's value in response to the figures. The pound fell by 4 pfennigs against the D-Mark to its lowest level since March.

Mr Bryan Gould, the Labour since March.

demand in the economy is leading to inflationary "overheating". added that a rise in Building societies and banks would be the worst have made it clear that they ernment response. would respond to any further base rate increase with a rise in mortgage rates. That, in turn, would absorb part of the Budget tax cuts which have been boosting pay packets in Britain during the last week.

Mr Nigel Lawson, the Chancel-lor of the Exchequer, who yester-

day delivered an upbeat message on the Government's privatisation programme to a conference in London, gave no clues to his intentions on borrowing costs.

The Treasury said the monthly figures should be treated cau-

Whitehall officials said the Government was anxious yester-day not be seen to have been "nanicked" into a base rate rise

PRESSURE ON the UK Govern- in the immediate aftermath of

ment to raise interest rates for the fourth time this month intensified yesterday as official figures revealed a dramatic deterioration in Britain's current account deficit to a record £1.2bn (\$2.04bn) in May.

Spancial markets

They acknowledged also that despite public reassurances that the worsening deficit reflected the relative strength of Britain's economy, there was serious official concern over the pace of

Mr Bryan Gould the Labour Share and gilt-edged prices also
fell sharply as the size of the deficit reinforced fears that buoyant showed that Britain now faced a "balance-of-payments crisis". He added that a rise in interest rates would be the worst possible Gov-

The May current account deficit, twice the level expected in the markets, took the cumulative the markets, took the cumulative gap for the first five months of this year to £4.7bn, compared to the £1.7bn deficit during the whole of 1987. The Treasury acknowledged again that its Budget forecast of a £4bn shortfall in 1988 is now out of date. It gave no new estimate but many City economists are now unedicting a economists are now predicting a figure of around £10bn.

The widening trade gap to a large extent reflects a continuing tiously because of their erratic surge in imports, triggered by nature and the frequency of revi-sions. It added only that it would and an apparent upsurge in not tolerate an inflationary investment. Separate official figdepreciation in the pound's value and that "monetary conditions" would be kept appropriately tight.

Whitehell officials said the for inflation, incomes were 5% per cent higher in the first quar-ter than a year earlier.

US markets fall

BY JANET BUSH IN NEW YORK

US EQUITIES and bonds fell Y131.15 and DM1.8215 compared

sharply yesterday, reflecting con-cerns about rising world interest DML3300 before the Fed appar-rates, a decline in the dollar after ently sold dollars.

The SEC said the allegations followed investigations by the New York Stock Exchange and other exchanges into suspicious price movements. The case is not based on information provided by Mr Ivan Boesky, the imprisoned arbitrageur who turned state's evidence as part of his plea bargain two years ago.

The bank immediately suspended Mr Wang and said it would consider possible legal action against Mr Wang and Mr Lee.

Takes a decline in the dollar after reported US Federal Reserve intervention on foreign intervention on foreign intervention on foreign intervention on foreign mined by higher interest rates overseas and are particularly focussed on this week's meeting of the Federal Reserve's policy-making Open Market Committee.

Exchange, the Dow Jones Industrial Average lost 34.50 points to close at 2,108.46. US bond prices were quoted more than a full after its substantial tightening moves in recent weeks. However, the Treasury's benchmark long bond quoted 1 1/4 point lower for a yield of 8.96 per cent.

The dollar after reported US Federal Reserve interest rates, overseas and are particularly focussed on this week's meeting of the Federal Reserve.

The Federal Reserve interest rates, overseas and are particularly focussed on this week's meeting of the Federal Reserve.

The Federal Reserve interest rates, overseas and are particularly focussed on this week's meeting of the Federal Reserve.

The Federal Reserve interest rates, overseas and are particularly focussed on this week's meeting of the Federal Reserve.

The Fed is generally expected to keep monetary policy on hold after its substantial tightening moves in recent weeks. However, economists believe they stand prepared to force interest rates have been underlined by higher interest rates, overseas and are particularly focussed on this week's meeting of the Federal Reserve's policy of the Federal Reserve in the Federal Reserve in the Federal Reserve in the Federal Reserve in the particularly focussed on this week's meeting of the Federal Reserve in the Federal

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Remarkable turnaround for flamboyant Delors

IN A remarkable political turnaround, Mr Jacques Delors will this morning be officially renomi-nated as EC Commission president, becoming the first man to do more than four years in the job since the Hallstein era nearly

a generation ago.

After a purely courtesy consultation with European parliament leaders this morning EC heads of government will reveal their decision to endorse Mr Delors for

a further term.

But only five months ago, the temperamental 62-year-old frenchman was on the verge of offering his resignation, an offer which many EC governments might then have been happy to accept. Indeed at one Commission meeting in January Mr. slon meeting in January Mr Delots, roundly and personally, abused his colleagues for their

in February to pride, as the West German presidency and Mr Delors pushed through the five-year reform of Community spend-ing and financing, known as the Delors package. This crucially changed both Mr Delors' attitude to his job and EC leaders' atti-

Mrs Thatcher, for instance, liked the rumours that Prime Minister Ruud Lubbers of the Netherlands, her close ally in the February budget struggle, was considering a bid for the Commission president. But, once these rumours proved groundless, Mr. Delors became a perfectly acceptable second choice for the UK.

workers' conditions in the cam-paign to scrap all internal trade barriers by 1992.

The declaration was made at the EC summit by Mr Jacques Delors, Commission president, a



Delors : happy return of its trade, rural society and

The subsequent West German success in putting the budget reforms and many key internal market measures — including capital liberalisation (falling into Mr Delors' monetary dossier in the Commission) — on the Community statute book has put increasing spring into Mr Delors's step. Far from losing interest in the EC, Bonn seemed to join France — or in this case

Worker conditions highlighted

legislation, an area which Mr Kohl would now like to see pushed forward under the Greek

Presidency.

Mr Papandreou said that his big priorities would be reducing

Thatcher, the UK Prime Minister. to win EC leaders' broad support public works contracts and have Mr François Mitterrand, the in their final communique today, fust started considering Commission plans to extend free bidding to energy, telecommunications,

he could not associate himself with an internal market that lacked "a social plan."

Bonn's six-month presidency has made unexpectedly good progress on dismantling trade barriers, for which it won praise tious.

Any attempt to add more substantial proposals at this stage excluded from EC competition would increase the scepticism publish a half-way report the progress of the single market in November.

Call for EC-wide crime squad

EUROPEAN Community leaders were last night due to consider stepping up joint action against aim of getting a joint declaration on boosting efforts against terrorism, including the work of Trevi, said officials, to propose to his fellow Community leaders the formation of an EC international crime squad modelled on the US

fellow Community leaders the formation of an EC international crime squad modelled on the US Federal Bureau of Investigation.

The idea was expected to get a sceptical reaction from Mrs Margarate Thatcher, the UK Prime Minister, who sees no point in duplicating existing forms of EC anti-crime co-operation.

Said German officials.

But the move was expected to lem.

"Our policy to date has been frontier controls are essential to curb cross-frontier crime, and the European Commission, which wants to scrap all border controls at a gardes that terrorists do not respect frontiers.

some was also seeking a consensus on how member states are to existing Trevi accords on algae fed on toxins dumped in to maintain the quality of frontier security in the run-up to the movement of criminals and work had highlighted a major problem, now going on to seek an EC-wide he added.

respect frontiers.

British officials drew attention the North Sea, where a slick of

THE EUROPEAN Commission yesterday both from Mr Delors

yesterday called on EC leaders to and from Mrs Thatcher. But it put fresh emphasis on improving has made less impact on social

few hours before he was widely unemployment, and improving expected to be re-elected for a second term as head of the Brus"What the Greek Presidency will

Delors's step. Far from losing interest in the EC, Bonn seemed to join France — or in this case one Frenchman — in putting the Community back on the road.

Mr Delors's presidency may last for only two more years from language 1. Communiscopers' because one of his presidency. His curious background is that of a money man (Banque de France director and then Finance Minister) with strong trade union links. He says he is concerned that trade union language 1. Communiscopers' because of the EC total. This is despite the fact that Mr January 1. Commissioners' terms could yet jeopardise the EC interDelors retains some very French worries about the Community dents are only two years. It is feel their interests are being sacnot being sufficiently protective hard to see him serving six years, rificed to those of hig business.

ting of European monetary policy, and because he is personally

sion as well as president, has attended monetary gatherings in

Basie far more frequently than his predecessors. Part of his

enthusiasm to be personally involved in a new BC monetary

study stems from his disappointment at not being allowed to attend finance ministers' meet-

ings of the G7 industrialised

Mr Delors also wants to put

Mrs Thatcher warned against creating unecessary regulation. She stressed that worker partici-

pation should be a matter for companies, rather than laid down in law, though she did not signal

outright opposition to Mr Delors'
plan for an EC company statute.
She preferred increasing staff
ownership and argued that
dynamic encomic policies were
the best way to improve social

Commission in some capacity other than president. If there is a favourite to suc ceed him, at this remote stage, it is Mr Martin Bangemann, the West German Economics Minister who moves to the Brussels Commission in January. Chancellor Helmut Kohl hinted at the weekend that Germany should have the next turn at the job.

Rehind the scenes Mr Delors Behind the scenes Mr Delors has been quietly pushing the need for stronger monetary co-op-eration — because he believes Europe needs it, because he wants the Commission to become an institutional part of the set-

Ustica disaster shrouded in mystery after eight years

ered large portions of the DC9 our own business and to forget wreckage in the past 12 months, everything that happened," he including its two flight recorders, said before ringing off.

THE RIGHTH anniversary of the and aeronautics experts are now Ustica air disaster, which cost 81 examining it. Their report is due lives, passed yesterday with few in September and should detersuspicions yet dispelled that mine whether the aircraft was Italy's political and military shot down.

taily's political and military shot down.

authorities are hiding the truth
about the cause.

But tenacious pressure by the was compounded by the discovfamilies of the victims is mainery nearly three weeks after the taining public interest in the disaster of the wreckage of a Libmystery and forcing the political southern Calabria. Athologists with the Prime Minister and Mr. mystery and forcing the point- yan Mig fighter in the hills of cians to react. Mr Ciriaco De southern Calabria. Pathologists Mita, the Prime Minister, and Mr then estimated the time of the Valerio Zanone, the Defence Min- pilot's death at around July 18, ister, last week passed govern- but six years later one said the ment files to the investigating body was in such an advanced magistrates, saying they were state of decomposition that it not covered by any security classification.

the was seen as an attempt to set out new priorities, such asimproving worker consultation, that could lead to a significant change in focus for the so far business oriented single market programme.

He won the full support of Mr Andreas Papandreou, the Greek Prime Minister, due to take over the EC Presidency next month of Corman Chancelor, but ran into criticism from Mr Helmut Kohl, the West in their final communique today.

Mr Delors also called for accords on boosting free competitional business slant of the 1982 plan.

Here member states are close to an accord on moves to enforce wider international bidding for public works contracts and have precised as an attempt to set ters," he was reported as saying on his way to the summit.

The Commission President single on the UK under her own Governments had enabled Britain to do more for social well that the Mig had shot down the civil air craft, others that it was being files, and the fact that clearance has now been given merely or other Libyan aircraft who had company statute, that would lay accidentally fired on the DC3 in top for the EC's, 550hm ecu annual public procurement market, more in line with the traditional business slant of the 1982 plan.

Here member states are close to an accord on moves to enforce wider international bidding for public works contracts and have process.

Mr Delors as competitive as sification.

Mr Delors also called for accords on boosting free competition the UK under her own Governments had enabled enabled enabled enable and enabled Britain to do more for social well as sification.

Mr Delors also called for accords on boosting free competition the EC's, 550hm ecu annual public procurement market, more in line with the traditional business slant of the 1982 plan.

Here member states are close to an accord on moves to enforce wider international bidding for public works contracts and have public works contracts and have proved as stiff at the UK under her own Governments had enabled enter own described into the scating files fro

fault were sustained for some last week Mr Zanone said that he years despite the discovery in had been assured that all relevant tape recordings still existed rail used in some missiles.

The missile theory is now the magistrates. An anonymous calone most widely entertained by ler to a television programme on the press and victims' families, the Ustica affair claimed last but the questions of whose missile, and who fired it on whose orders, remain unanswered. orders, remain unanswered.

The French underwater recovery company linemer has recovery day our officer told us to mind

Airbus hoping for swift result from crash inquiry

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ing for a swift result from the accident investigation which

the credibility of what has been proclaimed as not only the most technologically advanced atriner yet, but also the safest to fly.

Accidents to airliners during

their development programmes are not unknown, but they are rare so soon after the award of a Cartificate of Airworthiness and entry into service. The A-320 began passenger services in April following many hundreds of hours of detailed ground and air

range of technological firsts, par-ticularly the computer-directed "fly-by-wire" control system hith-erto restricted to military fighter aircraft. This means that many existing and potential customers will want to be reassured swiftly

AIRBUS INDUSTRIE will be hop- covered by other arrangements.

There are also hundreds of smaller component and equipment suppliers.

Together with other Airbus models still in quantity production — the A-300 and A-310 — output of Airbuses in 1988 will amount to about 60 aircraft, of which the A-320 will account for about 4 third

But deliveries of all Airbuses will build up quickly, and top the 100-aircraft-a-year mark in 1989, with A-320s accounting for well over half that, and will rise progressively thereafter, reaching a peak of about 175 aircraft a year by 1994 (on current planning), of which again about half will be a cial restructuring.

covered by other arrangements.

Such an order book is supported by a vast web of manufactor turers reaching down from the main partners.— Aerospatiale and Deutsche Airbus (each 37.9 per cent), British Aerospace (29 per cent), British Aerospace (29 per cent).

Further down the chair arrangements.

emphasis on computer to niques in its airliners is correct the same time, the committees in its airliners is correct the same time, the commitment in its airliners is correct the same time, the commitment is of the commitments for all its model over 900 aircraft so far. Mermaz, discounted a systems failure, but stopped short of blaming the plane," he said.

The accident, at Habsheim airport near Mulhouse in France, occurred when an A-320 ploughed into the trees during a low flypast. Despite Mr Mermaz's intervention it has thrown doubt on the credibility of what has been proclaimed as not only the most vechnologically advanced by the catelogy. Accident and the proper functional and the component and equipment suppliers.

Together with other most technologically advanced by the catelogy and international formation in the stimum doubt to be flight tested in the A-320. There are also hundreds of smaller component and equipment suppliers.

Together with other models still in the catelogy and international equipment suppliers.

Together with other models still in the catelogy and international equipment suppliers.

Together with other models still in the catelogy and international equipment suppliers.

Together with other models still in the A-320 and international equipment suppliers.

Together with other models still in the catelogy and international flower 900 aircraft so far because of a fierce battle with US and International flower 900 aircraft so far because of a fierce battle with US and US a

tion, the governments were cerned that Airbus might tinue making heavy losses require further substantial support.
Airbus has said it hope become profitable around mid-1990s, but this year the n

ber governments moved to erate this by requesting a fi

By that time, however, the first of the new Airbus models, the twin-engined high-density medium-range A-330 and the four-engined long-range A-340, will also be in production.

This in turn followed a refrom a special committee from a special comm that the aircraft is as safe as has been claimed.

Until last Sunday, the A-320 there are commitments for 145 alroan (£11.2bn), and involving 23 customers, including sirlines and leasing organisations, with 319 aircraft firm, 164 on option and 39

Those new ventures, for which there are commitments for 145 aircraft firm, 164 on option and 39

Those new ventures, for which there are commitments for 145 aircraft from 13 customers, will there are commitments for 145 aircraft from 13 customers, with the aim of changes aircraft from 13 customers, with the aim of changes aircraft from 13 customers, with the aim of changes aircraft from 13 customers, will there are commitments for 145 aircraft from 13 customers, will the aim of changes aircraft from 145 aircraft from 15 customers, will the aim of changes aircraft from 15 customers, will the aim of changes aircraft from 15 customers, will the aim of changes aircraft from 15 customers, will the aim of changes aircraft from 15 customers, will the aim of changes aircraft from 15 customers, will the aim

A-320 computerisation on tris

DURING their efforts to discover the cause of the A-320 crash on Sunday, the investigators from the French accident inquiry bureau will be primarily trying to ascertain whether any failure of the aircraft's extensive computerised control systems was respon-Yesterday Mr Louis Mermaz.

the French Transport Minister, discounted a computer systems failure as the cause, but if one does prove to have been responsible, Airbus is in serious difficul-ties, it has pinned its entire A-320 programme – and that of other new models, such as the forth-coming A-330 medium-range jet and A-340 long-range jet, now under development - on the use of extensive computerisation as a means of flying more economically and safely than ever before. The entire A-320 programme has been marketed, with considerable success, on this basis. To

airliner to make an integral feature of them.

Airbus has justified this by 800 flights before certification claiming that their benefit is the passenger service, and the increased safety such electronic included bombarding the system.

systems bring, adding that with with "a spectrum of different them the A-320 "is physically prevented from potentially danger-ous manoeuvres — such as stall-withstood all the abuse, giving the state of the state o ing flying too fast, or excessively Airbus Industrie and its party violent manoeuvring". confide Moreover, claims Airbus, the future."

fly-by-wire system's response is Airbus refrained from co both faster and more powerful menting on the possible causes than that of a conventional air the crash. But the television fi base to change now because of a failure in the computer systems would be near-disastrous for Airbus, delaying its A-320 production plans, and giving its rivals, Boeing and McDonnell Douglas, a big boost in world markets.

The heart of the A-320 is its "fly-by-wire" or "fly-through-computer" system, in which computer system, in which computer system, in which computer that the aircraft failed to fine powering the crashle causes the track of the crashle causes the crashle causes the crashle causes the crash. But the crashle causes the crash. But the television fine that of a conventional aircraft all this is now open to question, especially since the pilot of unusually low over the runw at Habsheim, and there has that he tried to boost engine been suggestions that despite that the aircraft failed to rise above the trees at the configuration of the Crashle Causes.

The heart of the A-320 is its "fly-by-wire" or "fly-through-computer" system, in which computer that of a conventional aircraft has claimed aircraft has claimed at Habsheim, and there has the tried to boost engine been suggestions that despite the crashle aircraft has claimed at the crashle aircraft has claimed at Habsheim, and there has the tried to boost engine been suggestions that despite the crash. But the crashle aircraft has claimed at the pilot of the accident appears to in a cate that the pilot was flying the crashle aircraft has claimed at the crashle airc

replace mechanical cables as the link between the pilots and the moving surfaces of the wings (allerons and spoilers) and the four of those is capable of the link between the pilots and the fly-by-wire system including computers, and that any computers, and that any title (elevators) that control the the aircraft safety on its owner.

tail (elevators) that control the aircraft sately on its ow; aircraft's attitudes during flight.

These have previously been used most extensively in fighter aircraft (although limited use has also been made in Concorde and spoilers and elevators and the earlier A-300 and A-310 Air-cover the elevators as well as buses), but the A-320 is the first alterons.

Airburg save the evertory for the elevators as well as Airburg save the evertory.

confidence in the aircraft and

Angry villagers

Danish coalition runs into early problems

indebted farmers, which means it agricultural innance measures, as cannot be sure of a majority for the measures when the bill the immediate future.

Comes up for its final reading on Thursday.

But the Government's inability to negotiate a compromise is seen as a bad omen for the autumn minority government — of the session of the Folketing, which Conservative Party, the Liberal Party and the Radical Party — ing up at the end of this week.

Cyprus in campaign to boost investment

DENMARK'S coalition government, formed at the beginning of turned to the Progress Party at this month following an election in May, has already run into serious trouble in the Folketing (Parous trou

business and trade centre in the eastern Mediterranean.

Mr Afrentis Afrentiou, governor of the Cyprus central bank, that the overall level of taxation yesterday presented a new publication entitled "Cyprus, a guide average in other countries. More than 600 offshore enterthe recent customs union agreement between Cyprus and the European Community created a banking units, while there are favourable climate for the increase of foreign investments Cyprus register, but direct for here from EC member countries. eign investments in the past five President George Vassilion has (£19m).

protest at slow Turkish rescue

ANGRY villagers stoned tru and hurled abuse at rescue we ers yesterday in protest at pace of relief operations after landslide five days ago, a sen Turkish regional official sa Renter reports from Ankara.

Mr Erkan Isilgan, Deputy Gernor of Trabzon Province, sether reports are reserved. that police and para-military darmerie troops calmed the testers in the eastern village Catak after several vehicle dows were shattered. One protester, quoted by a Anatolian News Agency, sa "The work machinery is a doing anything. Officials are a working as they should. Let work, let us dig."

The agency said police re forcements were sent to the ar after the incident, during wh Catak village headman R: Yavuz pulled a gun after he w mauled by protesters.

Most of Catak, including of a highway lined with strand

vehicles, was buried unc tonnes of mud and rock li

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European telecoms market warned on overseas suppliers BY TERRY DODSWORTH

vulnerable to overseas equipment suppliers as a result of the European Community's moves towards more standardised networks within the region, Mr Cor Wit, director-general of the Netherlands Telecommunications

anti-crime co-operation.

Bonn was also seeking a con-

Authority, said yesterday. Mr Wit, who was speaking in London at the FT conference on grated voice and data networks. telecommunications and the European business market, said that Japanese manufacturers in particular were expected to respond quickly to the developgrated voice and data network in

Europe.
It was unlikely, he added, that European producers would be achieved extremely slowly. Users able to balance these sales by wanted stronger competition, penetrating the Japanese market, where buying from foreigners was regarded as "the act of a traitor. The flow in the opposite direction will be of little signifi-

THE EUROPEAN telecommunications market may become more vulnerable to overseas equipment produce substantially for the Japhigh, while quality was unnecessively and the course of the particularly because the particular be anese market.

> over-hasty investment decisions in new cable systems and tele-communications networks. Europe needed to be careful about the introduction of inteand also to control investment in ally accepted standards has led to cable television, to ensure com-patible systems in the future, he share in the telecommunication

Mr Roland Linderoth, director of product development at Volvo, said that, from the point of view of user improvements in telecomment of the planned new inte- of product development at Volvo, of user improvements in telecommunications, services were being and this trend would continue, more predictable tariffs, services ler Cox, the telecommunications that were harmonised across consultancy, said telecommunica-Europe, higher quality, and more thons managers in large organisa-straightforward type-approval tions would in future act more

anese market."

Mr Wit also warned against preribasty investment decisions in new cable systems and telethe problem and correct it. It can take days when it should be a matter of hours or minutes."

The trend towards internationindustry, said Mr Ingemar Nilshe said.

Dr Jan Dewis, director of Butlike brokers - satisfying the



Tele~ communications

needs of the business from external as well as internal forces. This greater willingness to buy in services would be the result of increased demand by eventual users who wanted new applications to give them a competitive edge and were not particularly worried about costs.

The decentralisation of intelli-gence in telecommunications and computer systems away from central switches and main frames would have profound effects on many business decisions, accord-ing to Mr Peter Gershon, managing director of STC telecommuni-cations. Attitudes on where activities should be located, on how business should be organ-ised to take account of information flows, and on what services should be provided in-house, would all be affected.

Mr Gershon said deregulation and privatisation had given a spur to the development of intel-ligence telecommunications services in the UK and this meant the UK was well placed for the opening-up of the European mar-

The problems of insufficient standardisation in Europe were highlighted by Mr Colin Palmer,

Holidays, the tour operator Mr Jean-Philippe Gallant, which has recently established a director of telecommunications trans-European data network. Strategy at IBM Europe, said the National differences in technology and regulations had cost of international telecommunica-"more time, energy and money tions services would facilitate than you care to think."

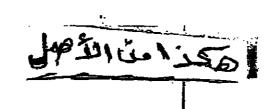
Mr Colin Davis, managing between companies on an interdirector of Cellnet, said the rapid increase in the use of mobile tele-

planned new pan-European digital mobile network. At the same the issue of the degree of regulatime, it would require the release tion to which the industry should of further radio frequencies to be subjected — whether controls

increase in the use of mobile telephones in Europe could lead to a
market that leased 10m subscribers by 1995. By the year 2000 it
could have risen to 20m.

To achieve these figures, he
added, would require efficient
operators and suppliers, along
with adherence to the agreed
timetable for introducing the
planned new pan-European digi-

add capacity to cellular systems. should be restricted to the basic Many European capital cities services of telephone and telex, would need substantial additional frequencies well before the enforced on all types of internaend of the century, he said.



Hungarian

row with

Romania

escalates

By Leslie Colitt in Berlin

SMOULDERING ethnic con-

flict between two Warsaw Pact neighbours, Hungary and

Romania, grew yesterday as tens of thousands of Hungari-

ans staged a mass demonstra-tion in Budapest against

Romanian plans to eliminate villages inhabited by the

1.7m-strong Hungarian minor-ity in Romania,

The demonstration was

organised by the opposition Democratic Forum (MDF), but is being supported by the Hun-garian authorities. Hungary has protested bitterly in recent

weeks over severe discrimina-tion against its ethnic cousins

in Transylvania. Budapest has given temporary residence per-mits to more than 5,000 Roma-

nian citizens, mainly ethnic

Hungarians, who sought asy-lum in the past year.

The dispute between Hun-ary and Romania is one of the

bitterest between two Warsaw

Pact neighbours ever to have

The demonstration began in the evening with a rally in

Heroes Square in central Buda-pest. The capital has been awash with unofficial leaflets

calling on the people to attend. the demonstration.

Some of the placards they carried called for national rights in Romania and an "end

Following a speech and the reading of a memorandum to be handed to the Romanian

ambassador, a torchlight pro-cession proceeded to the Roma-

The Hungarian authorities

ogans would not be chanted

sought guarantees from the organisers that anti-Romanian

near the embassy and that

Organisers of the demonstra

tion spoke of rumours that Romania had sent agents to

Budapest to stir up Hungari-

ans. Several forged leaflets with nationalist and irreden-

tist slogans were discovered

bearing the initials MDF

which were believed to be a

Romanian "provocation". Hungary ruled Transylvania until 1918, when it was ceded to Romania. Budapest was

briefly awarded the region by

Nazi Germany in 1940.

there would be no violence.

nian embassy.

been brought into the open.

Revolutionary force in Hungarian business world

WHEN Mr Janos Kadar, Hun-gary's Communist Party leader, tion.

was swept out of office last

Supporting investments in nost, Managers in every departmonth, Western commentators were taken aback by the abrupt-

Less widely reported was the appointment to the polithuro of Ms Ilona Tatai, managing director of Taurus Rubber Company. But that was also significant as a clear endorsement of management methods that have scarcely been tried elsewhere in the East-

With six plants in Hungary, warehouses and sales offices in Scotland and West Germany, and a partly-owned US subsidiary, Taurus is a world force in tyres and industrial rubber products. It employs 10,000 people and exports half its output.

Such international prominence is rare for a Comecon enterprise.
What makes Taurus even more unusual is its use of Western management theory in devising corporate strategy.

Ms Tatai was an innovator long before Mr Mikhail Gorbachev, the Soviet leader, committed himself to greater convergence between Comecon and the

Now that Moscow and several of its allies are seeking to act on that commitment (by encouraging joint ventures, promoting independence and accountability among managers, introducing the concepts of profit and bankruptcy, and working towards a convertible currency), Taurus provides an important case-

In 1981, the company was constraints. Part of the reason for among the first in Hungary to be given the right to export and

import on its own account.

Taurus not only set up direct contacts with Western export markets, it created foreign subsidiaries. In the US. Taurus established a joint-venture import/ wholesale company with an areas of competitive advantage American entrepreneur. It has and cut back on less profitable since carved out a slice of the US activities. replacement market for truck

steel radial tyres.
It established warehouses and sales and service facilities in and profitability. Aberdeen, Houston and Hamburg to serve offshore oil customers data had been collected for sev-for its sophisticated rotary hoses. In January 1986, Ms Tatai vol-ously been used to allocate

more competitive in international plete range of products.

markets, designing a portfolio To design a portfolio strategy, ton Consulting Group

equipment, information systems, quality control, energy saving and laboratory tools would then become engible for World Bank

This helped identify products

profit. Taurus had never mea-sured how efficiently it used materials, energy, labour and Reviewing product strategy

lysing its position, management

John Lindquist on a Comecon company leading the way in adopting Western management methods

was able to reduce Taurus' high unit energy consumption and material scrap rates. Product weights, which were typically 10 per cent heavier than those of competitors for similar perfor-

mance, are now being cut. But Hungary's system imposed low productivity was a high turn-over of labour - 50 per cent a year among Budapest employees, against 10 per cent for European Community rubber producers.

For Taurus, the heart of the portfolio strategy: to focus on areas of competitive advantage This proved to be a difficult

s, given the unfamiliarity out the company, people are of the notions of competitiveness Although cost and profitability

Bank-sponsored "structuring programme," to be devised with help gramme," to be devised with help more narrowly ran up against a sense of national duty to supply

Supporting investments in nost. Managers in every depart-numbers, information systems, ment were invited to evaluate the

This helped identify products where Taurus was internationinancing.

Ms Tatai faced an entrenched ally competitive — radial tyres corporate culture. The very idea and air springs for trucks and of competitiveness was a novely in Hungary, where most companies have had monopoly positions in the home market. The large home market (Hungary's traditional focus was on gross output, rather than costs or the commies of scale necessary profit. Tarurs had never mea-

capital compared with interna- enabled Taurus to respond to tional competitors.
In fact, it lagged behind Western producers markedly. By anaproduct where Taurus exported over 80 per cent of production to the West and held a 20 per cent world market share, it suddenly faced a low-cost competitor,

> Taprus devised a response that Taurus devised a response that was typical of Western compa-nies: concentration on quality and design, promotion of its "Palma" brand name, and a focus on up-market specialised camping goods.
> The third component of the

restructuring programme was internal reorganisation. Ms Tatai's goals were to make Taurus more flexible, more respon-sive to the market, and to reinforce the product group

Like other Hungarian compa-nies, Taurus was highly central-ised and organised functionally. Decisions were pushed upwards, or postponed. Ms Tatai reduced the number of direct reports, cut overheads, and set up profit centres with perfor-

mance incentives for managers. This year workers will be able to buy non-voting shares, tied to profit performance.

Ms Tatai's efforts have changed the corporate culture. There is more internal debate and self-criticism, and through-

more willing to take responsibility and show initiative. If the political wind in Eastern Europe continues to blow the same way, there is every reason to expect that the Taurus experiment will be repeated. The evidence allows room for cautious

John Lindowist was involved in the Tourus restructuring in his capacity as a partner in the BosSOVIET COMMUNIST PARTY EXTRAORDINARY CONFERENCE

Gorbachev faces test on democracy

THE MOST contentions and criti-cal issue for Mr Mikhail Gorbachev at the extraordinary conference of the Soviet Communist Party, which starts today, is how to bring genuine democracy into the rigid bureancratic structure of the restriction

of the party itself.

The party leader has already spelt out a string of proposals in the "theses" for the conference, approved in advance by the central committee but largely written by him and he may stall under the party and he may stall under the party and the party stall under the ten by him, and he may well produce more today.

Key elements in the Gorbachev plan include open debates and multi-candidate elections for party posts, a 10-year limit on the time officials can hold office, and a review of membership qualifi-cations of all 20m party members. At the same time he is calling for a revival in the powers of elected bodies - the Soviets which exist at every level, but which act as little more than rubber stamps

for party decisions.

The theses refer repeatedly to the need to return to the "Leninist concept" of the ruling party as the "political vanguard" of the working class, admitting that since his death a whole series of "deviations" had begun, includ-ing limits on the freedom of debate the concept of a collection debate, the concept of a collective leadership, and inner-party

шостасу. "This vicious practice remained in the years of stagnation (the Brezhnev era) to some extent or other," they say. "Some executives started thinking they years, and many members of the ruling central committee.

Non-interference in the day-to-day operation of work col-

lectives and other enterprises.

• Maximum openness of party debates, with decisions approved Tougher party membership criteria, and an end to the prac-

tice of "regulating the growth of party ranks by order. to prevent officials from simultaneously being elected deputies, in an effort further to curb the every communist before the power of the bureaucracy.

next party congress.

Genuine competition for party posts, wide-scale discussion of candidates and voting by secret ballot to become the norm.

right to nominate a number of candidates exceeding that of the committee membership" for all ections to party committees.

• Allow for the partial

replacement of central committee

only two terms in office. Mr Gorbody to oversee party discipline, bachev was apparently forced to and audit the party accounts.

Literally hundreds of party of many long-serving members officials through the country elected in the Brezhnev years. have already held office for ten The same would be the natural

rears, and many members of the uling central committee.

Other key proposals include:

Party committees barred in the theses but favoured by in the theses but favoured by from issuing direct instructions many supporters of the general to state and economic bodies.

Non-interference in the on office holders of 65, with a possible limit of 70 for member of the politburo of the central committee. Mr Gorbachev may yet suggest it in his report to the

As for the role of the elected soviets, the Gorbachev plan would introduce new strict rules to prevent officials from simulta-neously being elected deputies, in

sions, and a similar restriction on the term of office to that for the

party are all put forward. The role of the Supreme Soviet of the USSR, which currently meets for only two three-day ses-sions a year to rubber-stamp a handful of decisions, is also to "row radically." Among the sug-gestions put forward are to guarantee the free nomination of candidates, wide and multi-sided discussion of nominees at public meetings, and in the mass media.'

Mr Gorbachev's problem remains that the very people he is seeking to persuade to accept the reforms - the party officials



had been appointed to their posts for life. They considered them-selves infallible, abused power, and neglected the interests of rank-and-file party members and working people."

At least a dozen specific recommendations are contained in the theses for changes in the party's rules which could be approved by the conference - although it has no power to change the basic charter of the party. The clearest recommendation

is for party officials to hold office members between congresses, for only five years before re-election, and as a rule to be allowed Establishment of a single compromise by allowing the pos-sibility of a third term, provided replacement of the ruling central three-quarters of the party mem-committee is approved, it could bers in the organisation agree in open the way for Mr Gorbachev

Moscow fails to quell unrest in Azerbaijan

SENIOR Soviet official admitted last night that unrest was continuing in the disputed region of Nagorno-Karabakh despite reports from local officials that trikers were returning to work.

Mr Vyacheslav Mikhailov, dep-uty chairman of a Central Committee working party on relations between Soviet nationalities, said in Moscow that local authorities were working hard to return the situation to normal "but have

still failed to do so".

Mr Mikhailov admitted that local party officials had "lost the campaign among working people to stop the strike and resume

However, local party officials in Stepanakert, capital of the region, told Reuters news agency that 70 to 80 per cent of enter-

prises were working. Some peo-ple had taken part in demonstrations yesterday before returning to their jobs. Workers in the mountainous

enclaves, three quarters of whose population is Armenian, had previously threatened to continue a month-long general strike until the authorities in Moscow addressed demands for transfer of the region from Azerbaijan to neighbouring Armenia.

Their protests, combined with pressure for greater independence in other regions, particularly the Baltic states, has been Describing Nagorno-Karabakh as seen as a potential embarrass- a unique crossroads where Chrisment to Mr Mikhail Gorbachev as the extraordinary Communist Party conference which opens

Pointing out that the Azerbaijan Parliament had rejected Armenian demands for reunification, Mr Mikhailov said: "We should overcome the practice of resolving one problem at the expense of creating another."

A straight transfer to Armenia would cause further damage to relations between the two populations and aggravate existing ten-sions, he added.

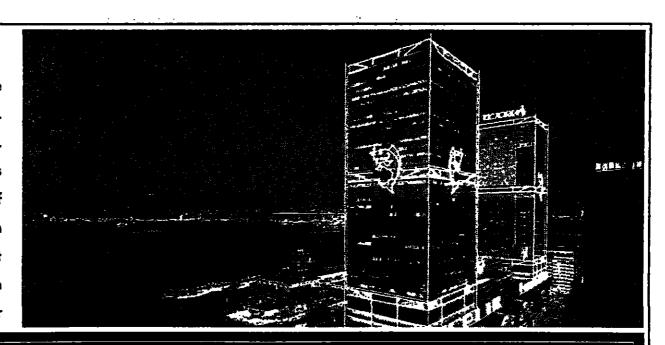
Mr Mikhailov also ruled out a division of the disputed region. tianity and Islam met, he said that to divide it would be "erro-neous" since "unity among cul-

cation that Moscow was unwill- lation that the only solution may ing to consider such a transfer. be to give Nagorno-Karabakh autonomous status under direct control from Moscow, rather than

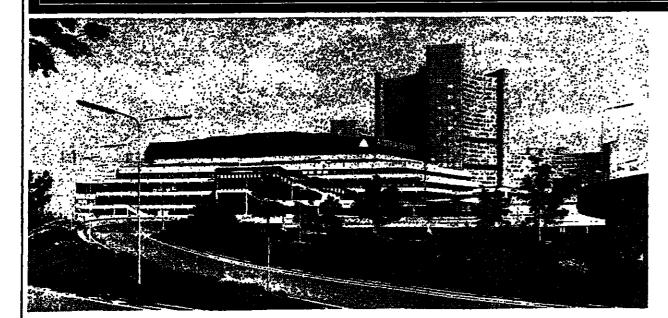
> Mr Mikhailov said it was crucial to ensure that people of both ethnic groups felt their cultures and traditions were being safe-

guarded without discrimination. He laid the blame for the present unrest firmly in the hands of past leaders of Azerbaijan. He singled out Mr Geidar Aliyev, who was dropped from the ruling politburo last October, and Mr Kyamran Begirov, who took over from Mr Aliyev as Azerbaijan party chief in 1982 and was sacked in May, following criticism of the local leadership for neglecting the needs of Nagorno-Mr Mikahilov gave a clear indi- There has been growing specu- Karabakh Armenian population.

he new Shun Tak Centre and Macau Ferry Terminal complex, including the 870-room Hotel Victoria, is a striking example of innovative building technology. ▶ Its two 41-storey towers are among the tallest high-rise steel structures in Hong Kong. ➤ And the Macau Ferry Terminal, designed to handle up to 15 million passengers a year, is the world's busiest marine transport facility. > The careful blending of function and aesthetics by the architect Spence Robinson is complemented with high technology lighting from Philips. > Cost-effective lighting that combines excellent colour rendition with high light output, yet uses 30% less energy. ▶ And the integration of general and accent lighting enhances the futuristic functional design of this superior



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landmark. ▶▶▶ In conference centres, too, you will find Philips technology helping to create the right environment. > The new Austria Centre in Vienna, with 14 conference halls and a total capacity of 9,000, is a fine example. ▶ Up to 4,000 delegates in the main hall can enjoy perfect conference conditions, thanks to a computerized directional sound system from Philips. ▶ In two other halls our multichannel reverberation systems tailor the acoustics for music, opera, theatre or speech. ightharpoonup And to ensure the best in sound and vision, we supplied the Centre's colour TV studio, master antenna TV distribution system and staff intercom. > Lighting, sound and vision technologies – perfected by Philips and applied in projects the world over. ►



PHILIPS

Shultz mission reflects dilemma on C America

MR GEORGE SHULTZ, the US
Secretary of State, embarks on a
four-nation tour of Central America tomorrow which reflects the
has aroused expectations of Reagan Administration's conflicting assessment of problems in

the region.

Mr Shultz has suggested the main purpose of his trip is to trumpet democratic gains made in Honduras, Guatemala and El Salvador and reaffirm Washington's political support for the incumbent civilian regimes during the last six months of President Reagan's term.

But Mr Shultz only recently described Central America as the most troublesome area of IIS foreign policy. His trip highlights concern about political instability in El Salvador, delicately poised peace talks in Nicaragua and the impasse reached in Panama, where the country's strongman, Gen Manuel Noriega, has rebuffed IIS efforts to oust him rebuffed US efforts to oust him

State Department officials play down suggestions that Mr Shultz may bring fresh proposals to fol-low up on the regional peace plan put forward by President Oscar

new diplomatic moves.

Mr Shultz will talk to leaders
of all four countries bordering Nicaragua, where a 90-day truce between the Sandinista govern-ment and the US-backed Contra rebels is to expire at the end of

the month.

The obstacles to fresh diplomatic initiatives lie in Washington, where the Reagan Administration is divided on whether to revive the suspended peace talks between the rebels and the Sandinistas, or to withdraw support the month. and ask Congress to renew mili-tary aid.

Such a request would almost certainly fail to win sufficient support in Congress, where the Democratic party has a majority. But some officials believe that, even in defeat, they could turn Contra aid into an election issue for the Republicans. A further complication is the continuing political divisions within the Contras over whether to resum talks with the Sandinistas.

US machine tool orders reach seven-year high

BY RODERICK ORAM IN NEW YORK

US machine tool orders surged last month to their highest level in seven years, reflecting a growing commitment by US manufacturers to expand their capacity to meet strong domestic and export demand.

Orders in May for tools for metal cutting and forming rose 28 per cent from a month earlier and 42 per cent from a year earlier to \$324.8m (£181.4m), according to the Association for Manufacturing Technology (NMTBA), formerly the National Machine

Tool Builders Association. Mr James Gray, the association's president, said: "American manufacturing is making a come-back. . . prophets who had called the decline of US industry all but complete may have to revise their thinking."

Orders in May were at the highest monthly level since March 1981, but were substantially lower than the monthly record of \$565m in October 1979. In the first five months of this year, orders totalled \$1.42bn, up

83 per cent on a year earlier.
After many years in which US machine tools languished in foreign markets because of stiff competition from Japanese, Italian and other makers, US export orders more than doubled in the first five months of this year to \$208.4m.

Domestic demand for machine

tools is brisk and broadly based, according to leading manufacturers such as Cincinnati Milacron. Car makers and their compo-

Mexico's first opinion polls fall short on credibility

to Gallup.

This outcome is close to what PRI officials themselves foresee, credibility because the state – of President of the same name. Mr and has thus been vigorously which the PRI is merely an Aleman has openly proclaimed impugned by opposition groups adjunct – has such vast that Televisa and its employees and questioned by a host of inder resources of patronage and congruence of patronage and congru

polls in the run-up to the most versity (UNAM), giving Mr Sali-fiercely contested presidential nas 61 per cent. This poll, some election since the 1910-17 revolu- commentators noticed, was tion has led to widespread suspi- supervised by Mr Carlos Sirvent, cion that their purported findings a UNAM academic fielded by the are being used by the PRI to jus- PRI as a 'source' during the 1986 tify in advance a result it intends Chihuahua state elections, in

tify in advance a result it intends to achieve by fair means or foul. In the eye of this gathering storm is the first ever pre-election poll carried out in Mexico by the Gallup organisation, which polls were national in acope. A gives PRI candidate Mr Carlos Salinas de Gortari a 56 per cent lead over his two challengers.

Mr Cuauhtemoc Cardenas, at the head of Mexico's first coalition to unite the Left, is credited with 23 per cent, while Mr Manuel Clouthier of the right-wing National Action Party (PAN), trails with 19 per cent, according to Gallup.

Chihuahua state elections, in which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right which regime officials including Mr Salinas accept that ballot-right was conditional in accept. A covering Mr Salinas accept that ballot-right was conditional in accept. A covering Mr Salinas accept that ballot-right was conditional in accept. A covering Mr Salinas accept that ballot-r

phy, who took power in a coup last week. In condemning the

coup which toppled the four-month-old civilian administration

of President Leslie Manigat, sev-eral Caribbean government spokesmen have suggested that Haitt's observer status to the 13-

nation Caribbean Economic Com-

munity be withdrawn.

A common approach to Haiti is

BRAZILIAN sugar producers

ave lost a long battle against

drinks. A government decision

hat the sweeteners are not

harmful to public health has

artificial sweeteners in

foresee, and has thus

Knergy Minister.

Polls in general here have little

Wislon monopoly, headed by Mr

Wislon monopoly, headed by Mr

Miguel Aleman, son of the 1946-52

marketing research group bearing the same acronym as the Poll outcome is near what PRI officials

commentators. writes David Gardner in Mexico

been questioned by

independent

Instituto Mexicano de Opinion Publica, with which it is in litiga-

The first IMOP, owned by Mr Ian Reider, is recognised by Gallup as its Mexican affiliate. It counts Ford, Nestle, De Beers and British American Tobacco among its clients, according to Mr Reider. The second is owned by Mr Luis Sanchez Aguilar, who is simultaneously president of

dense and Mr Salines neck and neck in the capital with 37 per cent, and Mr Clouthier polling 30 per cent. But the Mexican Social-ist Party, which subsequently joined the Cardenas front, had 12 per cent, giving Mr Cardenas a clear lead. This neatly coincides with his sides' predictions that they will take half the Mexico City vote (though both the PRI and Gallup see the ruling party

outvoted by the opposition as a whole in the capital).
Gallup's, or Mr Reider's IMOP's, evaluation, was based on 2,960 interviews nationwide (a feat Mr Sanchez Aguilar says his IMOP will shortly emulate). Its methodology is careful and candidate preferences were expressed by secret ballot. "R's a serious effort and we stand by it," says Mr Richard Burkholder, vice-president of Gallup. Mr Sanchez Aguilar insists

OPINION POLLS are a novelty in it as an attempt to soften up pubMexico, where the 71-year-old lic opinion and induce acceptance polls can be accurate in a countries in age and generally misrepresented the views and distorted the views and disto Register of Electors (controlled by the Interior Ministry) to col-late estimates of registered vot-

ers. Mr Burkholder admits that "there's a stigma attached to saying you're not going to vote" (only 6 per cent of Gallup's sam-ple did against average recent abstention rates of 60 per cent), and that "we may have levels of

intended voting which are too high."
But in Mexico there is not so much a stigma at stake as jobs, land, and basic amenities such as water and electricity. Given the unfamiliarity of polis and the powers of the PRI/State, many Mexicans, particularly in the countryside and urban shanty towns, are notoriously unwilling to express views which might prejudice them.

This may not be the case on polling day itself, however, on July 6. But then the picture promises to be blurred even furthat Mr Reider's IMOP has ther, by an unprecedented num-worked for the interior Ministry, ber of exit-polls, an even greater

Israel seeks to

block Chinese

missiles sale

Caribbean takes united stance on Haiti Telephone strike hits services in much of Canada

By David Owen in Toronto

SOME 19,500 Canadian telephone operators and techni-cians in Ontario, Quebec and the North-west Territories went on strike yesterday after rejecting Bell Canada's final contract offer.

The walkout was expected to lead to backlogs in Bell's tele-phone installation and repair services and delays in making operator-assisted calls. Some services were disrupted over the weekend as more than 2,000 workers, members of the Communications and Electrical Workers of Canada, left their jobs in advance of the Monday morning strike dead-

The main bones of contention in the dispute are wage levels and the use of part-time workers. The latest offer rejected by the union would have called for annual wage hikes averaging close to 4.5 per cent over the three-year term of the contract.
Observers believe that the

BY CANUTE JAMES IN KINGSTON HAFTI'S Caribbean neighbours, which had indicated confusion over recent political changes in the country, are now united in efforts to isolate the military gov-Lt Gen Henri Namphy, who seized power in Haiti in a mili-tary comp nine days ago, has promised the army will restore eroment of General Henri Nam-

democracy and civil rights, but ruled out new elections for the ent. Reuter reports from "Only the army of Haiti can to be discussed at next week's Community summit in Antigua, with indications that common

ground will be found for isolating Gen Namphy's government. The change in attitude to Haiti as a result of the coup is most evident

The sugar industry has waged a bitter war against diet soft

Brazilian sugar producers lose battle on sweeteners

bring democracy to this country," Gen Namphy, chief of the armed forces, said in an interview published yesterday in the French newspaper Libera-tion. Asked if he planned new elections, Gen Namphy said Haiti had proved it was not ready for them. . .

in the position of Jamaica, one of

sweeteners because of possible permission from a federal court. health risks, although they are in spite of pressure from sugar permitted in foodstuffs. Pressure companies and government agenticles to study the possibility of using stevia in soft drinks as part to the soft drinks ban. The snear industry has usend.

the big soft drinks companies. Brazil is the world's third largest soft drinks market, with 36

eign Minister, said: "We canno support the present regime and will not conduct normal relations with it until all the necessary steps are taken to re-start the process leading to the restoration of a constitutionally elected government."

Diplomats in the Carlbbean suggested, however, that besides diplomatic isolation of the counthe few countries to offer support try and condemnation of the to President Manigat despite the coup, there was little the region controversial election in January which brought him to power.

Mr Hugh Shearer, Jamaica's status in the Caribbean Commudeputy Prime Minister and Formity brings no economic benefits.

The big soft drinks manufac-

turers say stevia is more expen-

THE Israeli Defence Minister, Mr in blocking Chinese missile sales to Arab countries, US officials

Yitzhak Rabin, asked for US help

said yesterday, Reuter reports from Washington.

Mr Rabin, in Washington for talks with President Reagan and congressional and Jewish leaders, discussed the proliferation of missile technology in the Middle East with Mr Frank Carlucci, the

Defence Secretary.

Mr Rabin and Mr Carlucci
planned to sign an agreement to
split the costs of developing a
new israeli-built Arrow missile,
an anti-tactical ballistic missile. US and Israeli officials said China has been offering to sell its sophisticated M-9 ballistic missile to Syria and other Middle East countries. US officials said China's demand for cash payments

prevented a firm sale.

Washington put pressure on China earlier this year to halt sales of its Silkworm anti-ship missiles to Iran and received assurances that they would cease. There have been uncon-firmed reports recently that Iran

been pushed through by Mr Borges da Silveira, the Health Minister. drinks. Last year Mr Laerte Cod-unho, a small businessman. Mr da Silveira, who comes launched a diet cola with special from an area in southern Brazil sive than conventional sweeten Soft drink companies have not ers and leaves an unpleasant nent suppliers are particularly situation has the makings of a een allowed to use artificial has received new Silkworms.

The three-engine Falcon 50 and 900. Executive jets as safe as airliners.

Of course you could stick with comparing operating ranges, cruising speeds, usable cabin space and the soundproofing of other private jets. Which, just between us, would only again highlight the advantages which are the strength and reputation of the Falcon the world over.

But the comparison stops there for one very simple reason. The Falcon 50 et 900 have three engines.

Use of a third engine positions both of these aircraft at the very strictest level of safety, that imposed on airliners making overwater flights via the shortest routes. This provides the aircraft with additional power always at the ready for the systems which ensure your comfort and safety.

To understand the essential role, vital in the power factor, especially when flying over inhospitable

zones, just

keep in mind the importance of the on-board electronics of a long-range aircraft.

Objectively speaking, the security offered by the three-engine Falcon is comparable to that of commercial airliners, not of other corporate jets in their class. This is of course why executives prefer the Falcon 50

and 900.

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WORLD TRADE NEWS

Toyota to decide EC car plan by next year

By Clay Harris in Tokyo

TOYOTA, Japan's largest motor group, will decide by the end of next year whether and how to proceed with plans to make cars in the European Community.

Toyota's feasibility study will review the merits of independent or joint production and consider the best location for a European manufacturing base. It is the latest evidence that Japanese car groups are anxious about their position in light of the plans for a unified EC market by 1992.

Last week, the motor companies agreed to limit exports to the EC to 121m cars and commercial vehicles this year, a 32 per cent rise over the number shipped in

The Toyota study will assess the record of the commercial vehicle joint venture with Volkswagen, due to begin production in Hanover, West Germany, at the beginning of 1989.

The company's only other manufacturing facilities in the EC are a Portuguese factory for light trucks and a truck venture in

Bid to step up export efforts

15 To

THE latest agreement between Washington and Tokyo to encourage Japanese imports of US consumer goods appears to give little more than a new name to existing trade promotion efforts, Clay Harris writes.

Officials made clear yesterday that the "Market Japan" project, announced in Washington at the weekend, was mainly an attempt to build on the success of the Japan-US trade facilitation committee by focusing on only a few

The initial emphasis will be on sporting and leisure goods, furniture, jewellery, processed foods and pet foods, sectors in which US exports to Japan totalled ^1.55bn (£861m) last year.

Japan and the US are hoping to create exemplary "success stories" to encourage small and medium-sized US companies to step up their export efforts.

Exporting companies have drawn up plans to sell goods in exchange for IOUs, John Barham reports from Sao Paulo

Brazil considers paying part of debt with merchandise

BRAZIL is considering paying part of its vast foreign debt with merchandise under a scheme that combines aspects of existing debt-to-equity conversions and international countertrade.

The debt's face value would be equivalent to the value of the purchase. The importer would then present the debt to the Brazilian Central Bank, which would not be according company the debt-to-equity conversions international countertrade.

Exporting companies, scenting pay the exporting company the debt's full face value in local cur-

a profit, have drawn up plans to sell goods worth \$50n (550n) a year in exchange for Brazilian IOUs. They want to cash in on the 55 per cent discount available on their country's foreign debt by equity conversion auctions, said exporting everything from shoes

The Government is seriously considering the idea, as are creditor banks and many exporters. However, only a few of their pro-posals are likely to be approved. Bankers say that debt-to-mer-

chandise conversions are likely to be worth \$2bn \$3bn a year. Peru is the only one of Latin America's debtors to introduce a the scheme, a foreign importer

equity conversion auctions, said the scheme was intended to benethe scheme was intended to bene-fit industrial sectors that do not export already and have spare capacity. Alternatively, debt could be used to promote "tradi-tional" Brazilian goods in new

Mr Valentino complains that exporting cars from Brazil has become unprofitable. Flat, Bra-zil's largest private exporter, cal-culates that its costs have risen markets.

In theory, everybody would be tion and the decline in the happy. The importer would get a discount on its purchases at no Mr Valentino admits that a cost to the exporter. The Central debt-to-export conversion scheme Bank would cancel part of the would only partly reduce his \$121.3bn foreign debt and foreign export costs. The importer would

iary, is trying to convince the Government to authorise debt conversions to reduce losses on Mr Arnaldo Wald, president of Fiat's \$500m annual exports. He says Brazil must reduce export costs if it wants to remain

competitive in the international

40 per cent over domestic infla-

the scheme, a foreign importer banks would slim down their bave to share the discount with zil's depressed shipping industry would buy a loan from an inter- Brazilian portfolios. The losers the borrower, the lender and is the most likely beneficiary of a

Exporters want to cash in on the 55 per cent discount available on their country's foreign debt, by exporting everything from shoes to ships

Several banks are said to be interested in the scheme, includ-ing Manufacturers Hanover Trust of New York, Lloyds Bank International, Midland Bank and NMB But as Mr Wald of the Securities Commission mentioned, Bra-

would be the banks' long-suffering shareholders, since the original bank lenders would be realising a loss in the process.

Mr Silvano Valentino, president of Fiat's Brazilian subsidper cent more than those con-structed in South Korea, yet profits seems as elusive as ever.

shibras, a Brazilian affiliate of Ishikawajima, the Japanese ship-builder, has already announced a debt-for-exports proposal Marim-pex, a Hamburg-based trading company, has ordered three oil tankers worth \$200m from Ishi-

The shipyard says it has a fur-The snippard says it has a fur-ther \$400m orders on hand from an US company. Were it not for the debt subsidy, these orders might never have been placed. Marimpex and Ishibras are sug-gesting that 80 per cent of the ship's price be paid with debt and the rest with hard currency. Rankers point out the Govern-

since the Central Bank would use declines.
its share of the discount to A banker who advocates debt its share of the discount to A banker who advocates debt-reduce the cost of subsidising for goods conversion agreed that

export finance interest rates. But there are many drawbacks. A Sao Paulo banker said: "All case-by-cast this might be very good for Brazil ble abuse. and for the banks, but it would be bad for international trade, because it would reward ineffi-

needs to earn a \$12bn trade surplus to remain current on its \$1.5bn stand-by loan with the annual debt service payments IMF. and honour other hard currency

sions might replace sales that activities in Brazil. the rest with hard currency.

Bankers point out the Government could even save money, interest payments as the debt with. But if we adopt this ment are supported by the same and the support of the other debt with. But if we adopt this ment could even save money, interest payments as the debt reduce the debt it already owes."

every operation would have to be monitored and dealt with on a case-by-case basis to avoid possi-

International organisations, particularly the International Monetary Fund, are known to frown on barter operations The scheme could also be bad because of their possibly negative for balance of payments. Brazil impact on the balance of payments, and Brazil is negotiating

But exporters say they canno In 1986, exports tumbled, Valentino puts it bluntly: "If we reserves evaporated and Brazil do not get some relief, our had to suspend interest payments exports will fall vertically and we for a year. Debt-to-export conver- will have to begin reducing our

would have been made anyway "If we export less, Brazil will and would have been paid for in have a smaller surplus to pay the

Brazil buys French helicopters

THE Brazilian army has finally worth \$2bn over the next 15 state of Minas Gerais to assemble signed a \$250m (£138m) contract years. French machines in Brazil. signed a \$250m (£138m) contract for 52 helicopters from Aerospatiale, the French state aerospace group, despite an attempt to postpone the deal by the US's Bell

Helicopter group.

Bell had issued an injunction in the Brazilian courts this month arguing that the army had failed to explain adequately why more costly machines.

Since it emerged in February that Aerospatiale was favourite for the contract, rival bidders

years.
It will also define who is to

Aerospatiale's rival bidders included Messerschmitt-Bölkow-Blohm of West Germany, Sikorsky and Bell of the US.

carrying machines was the cheapest and most appropriate. But the army ministry has opted for

The Minas Government has dominate the helicopter industry sought to dispose of its holding in in a country where the machines the company to Engesa, the pri-are vital to the transport system. vate Brazilian arms maker.

Engesa has argued that it could only take on the Minas stake if it could be sure that Helimonth arguing that the army had say and bell of the U.S. bras would have a major partici-failed to explain adequately why it was accepting a tender for Bell offer of 206L3 and 212 troop a successful Aerospatiale bid could ensure this.

Financing for the Aerospatials 16 Ecureil class attack machines deal involves an eight-year open have raised protests. The Brazilian contract is the first part of a
big purchasing programme of up
to 400 machines which could be
bar and 36 Dauphin transports.

One reason for the decision
The decision is per cent or about \$42m at 1.18
The protest open contract is the first part of a
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Dauphin transports.

The protests are eightyear open contract is the first part of a
Dauphin transports.

The protest is the first part of a contract part of a

Caracas to buy UK Scorpions

the manufacturer, Alvis, claims

to involve about 100 vehicles. Mr David Fraser, chief execu-remained ahead of France last together with ammunition and tive of Alvis's parent company, year as the world's third largest other equipment, including com- United Scientific Holdings, said arms exporter, with about 12 per puter-based gunnery simulation. the contract was won against cent of the \$50bn world market.

Defence Correspondent, writes.

The order is for the Scorpion ment exhibition, where use the order was won against the veteran tracked-vehicle in ing their wares this week.

French AMX-13 light tank, after service with the British army. It of the initial bids by US and West incorporates a larger 90mm Cockfence export sales at the Minis-German companies. It is believed erill gun and a laser rangefinder. The order is for the Scorpion ment exhibition, where use the private vehicle in ing their wares this week.

Sir Colin Chandler, head of German companies. It is believed erill gun and a laser rangefinder. The order is for the Scorpion ment exhibition, where use the private vehicle in the private vehicle in

T H A T

VENEZUELA is to pay \$85m Deliveries are due to take place fierce competition and a back(£47m) for Scorpion combat over a three-year period starting ground of depressed conditions in what late next year.

The appropriate Appropriate Appropriate and the appropriate appropriate and the appropriate appropri The company said it expected market. Announcement of the is the largest military contract the deal to lead to further business timed to coincide won by the UK in Latin America ness in South America. With the British Army Equipfor 15 years, David White,

Defence Correspondent, writes.

1 The company said in expected market. Announcement of the souncement of the coincide with the British Army Equipfor 15 years, David White,

The order is for the Scorpion ment Exhibition, where UK order is for the Scorpion of defence contractors are display-

EC to re-open hardwood panel dumping inquiry By Tim Dickson in Brussels

THE European Commission is to re-open anti-dumping investigations into producers of hardwood panels in Czechoslovakia, Poland the Soviet Union, Romania, Swe den and Brazil.

The move, announced yester day, follows complaints from EC manufacturers, which claim that commitments entered into by some importers were not being observed. They are also worried that more protection will be needed when existing duties run out at the end of this year and in

259,000 tonnes between 1985 and 1987 at a time when consumption in Europe has been falling by 1 to 1.5 per cent a year.

Brazilian imports have risen from 37,400 to 50,000 tonnes over the period, while Sweden's - although more or less unchanged have remained at a high level" (115,000 tonnes in 1987).

Import prices are said to be between 10 and 30 per cent below European producers, while the weakness of the dollar has raised the fear that exports by non-EC countries may be re-directed hagen. on board, thus enabling owners to hire personnel at more competfrom North America to Europe.

Cuts in tariff protection urged

SEVEN COUNTRIES have tabled that the cost of collection is freunder the General Agreement on Tariffs and Trade.

Tariffs and Trade.

The joint plan, submitted last tariff bindings by all Gatt memers week by Australia, Canada, Hong Kong, Hungary, Korea, New Zealand and Switzerland, to the group negotiating on tariffs cannot be raised without paying group negotiating on tariffs compensation to the countries under Gatt's Uruguay Round, affected.

South Korea, Taiwan, Singapore and Hong Kong, where customs duties are still high and tariff bindings much less frequent.

Progress on tariffs had to be demonstrated by the time of the trade ministers' mid-term review arms the hoard tariff cuts.

that tariff liberalisation was a tection remain on some sensitive concession would result from goods of special interest to the bilateral bargaining.

The European Confederation of world Industries says imports the overall liberalising objectives Third World. Developing countries could be from the countries concerned have increased by 23 per cent to achieve.

The European Confederation of the tariff liberalisation was a tection remain on some sensitive concession would result from goods of special interest to the bilateral bargaining.

Developing countries could be tries also want so-called tariff allowed more time to apply tariff escalation — which raises duties reductions, would be required to

those whose levels are so low increases - to be pared.

The large trading countries are a detailed programme for negoti- quently greater than the revenue seeking concessions from devel-ating cuts in tariff protection produced, would be eliminated. oping countries, particularly the The seven also called for a sub- newly industrialised group of stantial increase in the level of South Korea, Taiwan, Singapore

across-the-board tariff cuts.

ago, Gatt's main triumph has seven said.

Talks on tariffs in the Uruguay been to reduce the level of tariff

They advocated a formula for a Round have attracted much less attention than those on trade in agriculture, services and intellectual property.

But the seven countries argued much less projection. Database projection than those on trade in main industrialised countries on than negotiating tarm countries on the request-and-offer basis preferred by some developing countries under which every concession would result from Round have attracted much less protection. Duties levelled by the general reduction in tariffs rather

"Nuisance" customs duties, as the degree of processing bind fewer tariffs, and could bind

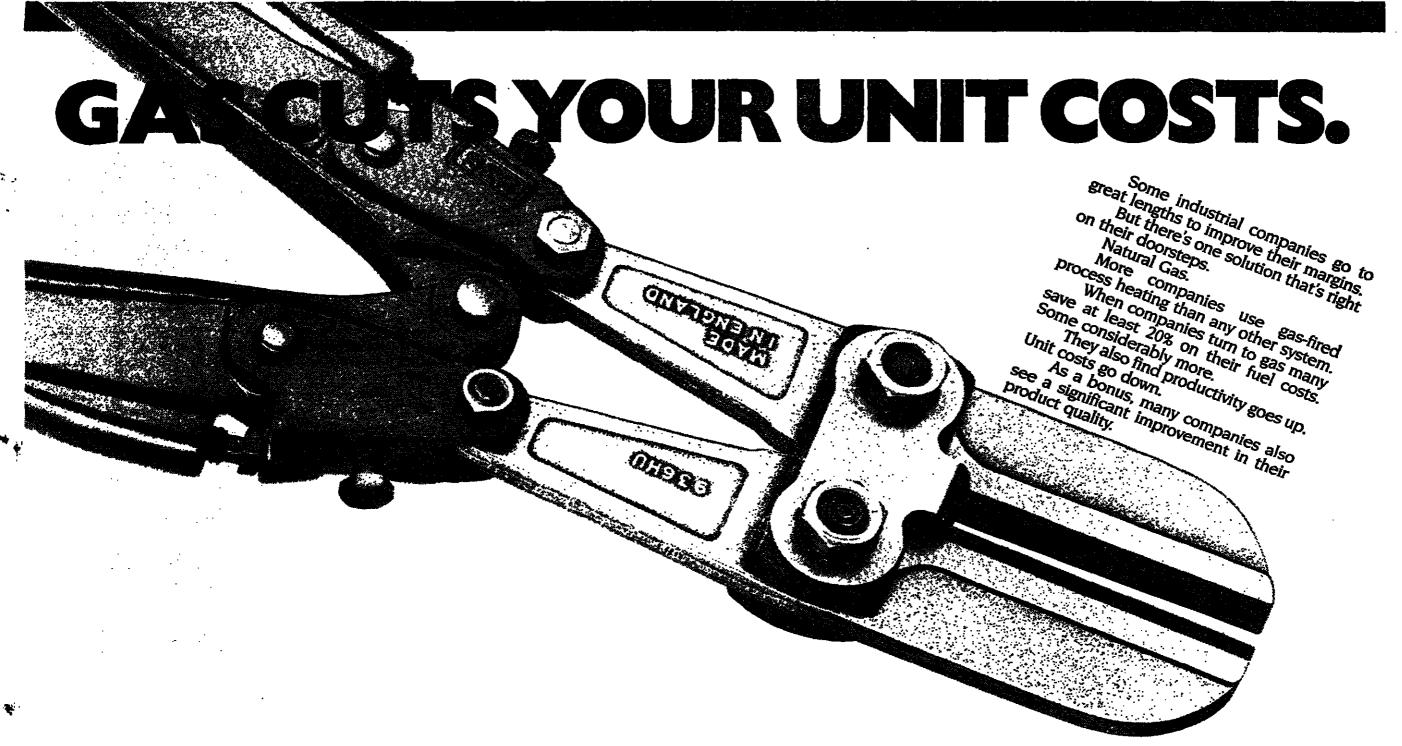
Danes plan new ship registry

DENMARK will set up an international ships registry this employ foreign personnel on autumn in accordance with legislation just passed through the Folketing (parliament), Hilary Barnes reports from Copenno carnings made while serving the DIS is for Danish owned ships only, unless they are owned by a foreign company with a substantian paying income tax on carnings made while serving the DIS is opposed by the SIS i

istry (DIS) is intended to stop itive rates. Danish owners transferring the Flag transfer has gathered pace say chances exist for increased flag to other nations by enabling over the past three years and hiring of Danish personnel.

on board, thus enabling owners

The DIS is opposed by the sea-men's union, which fears it will



For a free copy of our fact file, contact Peter Cleall, Manager, Industrial Development, on 01-242 0789. And cut your competitors down to size.

British Gas PROFITS INDUSTRY **ENERGY IS OUR BUSINESS**

Tokyo keeps | its distance from Israeli commitment

By Andrew Whitey in Jerusalem RELATIONS between Israel and

Japan, long strained by Japan's strict adherence to the Arab boy-cott and murmurings of anti-sem-itism, have been little advanced by a 24-hour visit to Israel and the occupied West Bank by For-eign Minister Sosuke Uno. Mr Uno left Israel for home vesterday at the end of a five-day tour of Middle East "frontline" states, which included a first visit to the Jewish state by a Jap-

anese Cabinet Minister. Mr Uno's revelation during an wife had read The Diary of Anne Frank – and had encouraged their children to read the bestseller about a young girl's treatment by the Nazls - cut lit-tle ice with his Israeli hosts.

Their concern was not so much Japanese guilt over the behaviour of the Axis powers during the Second World War, as the remarkable absence of Japanese investment in Israel today. Not a single Japanese company admits to having invested in Israel, nor do any maintain repre-sentative offices. Queries during

Mr Uno's visit as to the reasons were met by the bland reply that Tokyo could not direct private Mr Shimon Peres, the Israeli Foreign Minister, urged the setting up of joint ventures and Japanese participation in several

specific projects in Israel during a meeting with Mr Uno. But he was reportedly unable to elicit a More annoying to the Israeli Government was the Japanese Foreign Minister's explicit linkage of progress in bilateral relations to greater efforts by Israel to achieve peace with its Arab neighbours. During Sunday's formal dinner, Mr Uno implicitly rebuked the Shamir Government, emphasising the need for all par-

emphasising the need for all par-ties to the conflict to take "a realistic and flexible attitude" Israel is one of a tiny handful of countries to run a trade sur-plus with Japan – a quirky sta-tistic accounted for largely by the Japanese consumer's fast-growing appetite for Israeli polisher ds, and the extreme reluctance of most Japanese compa-nies to sell in Israel. Unlike anywhere else in the Middle East, Subaru is virtually the only Japa-nese car seen on Israeli roads.

Dollar rise causes US-Japan strain

THE RECENT rise in the US dol-lar is straining relations between US and Japanese monetary

IS and Japanese monetary authorities.

Bank of Japan officials believe their American counterparts should stop making remarks which could be interpreted as talking up the dollar. They are concerned that the US currency's sudden leap could herald a period of volatility in the currency markets in which the dollar might fall just as fast as it has risen.

The central bank's worries reflect a fear in Tokyo that the dollar's recent strength fall just as fast as it has risen.

The central bank's worries reflect a fear in Tokyo that the dollar's increase may be only a temporary reaction to recent positive developments in the US economy.

Bank of Japan officials were not available for comment However, a central bank officials were talking up the dollar. Mr Bichard Koo, an economist at the research arm of Nomura Securities, said Japanese central bank officials had good reason to be annoyed with US officials, who

SUMMER BONUSES paid to

employees of Japanese companies are running at 5 per cent ahead

This means an average pay-out

of Y587,228 (£2,607), according to nearly 200 companies surveyed so far by the Japanese Pederation of

Employers' Associations (Nikkeiren). The increase in bonuses

reflects the sharp improvement in profitability achieved by most companies last year. It follows a

4.4 per cent average rise in earnings during the spring pay round.
The higher bonuses are likely to fuel consumer spending – the twice-yearly bonus season is the

BY STEFAN WAGSTYL IN TOKYO

Japanese pay bonuses up 5%

Japan's industrial production fell 1.7 per cent in May far the

second menth-to-month decline, according to the Min-istry of International Trade and Industry, Carla Rapoport reports from Tokyo. The fall

did not alarm economists because industrial production

has been growing so fast recently that a slow-down was

favourite time to make big pur-chases – and give a small mudge

World Bank endorses Pakistani budget

aged 2.4 months' salary and the winter payment 2.7 months' sal-ary, according to a separate Nik-

keiren survey. The calculation and paymen

of bonuses are subject to negotia-tion between employers and unions. In practice, however, very similar amounts are paid by all companies in each industry.

Bonuses are traditionally closely linked to historic profit

Last year, for example, after a 8 per cent rise in corporate profits in the year to March 81 1987, the spring rise averaged 3.5 per cent but the summer bonus aver-

about \$100bn of their dollar hold-ings even a small percentage later this year as expected. Moreover, some speculative, of several billion dollars through

But these investors may not be convinced that recent improvements in the US trade deficit will last and could bail out of the delicit will last and could bail out of the delicit at the first sign of treuble.

Mr Telso Taya, senior economist at Daiwa Research Institute, an affiliate of Daiwa Securities, argues that the dollar could fall back by early next year. "The findamental problems of the US have not changed. The current account and the budget deficits are still there."

are still there."
However, there is also growing support in Tokyo for the view that the three-year decline in the dollar may at last be ever. Economists at the Bank of Tokyo, the leading foreign exchange bank,

later this year as expected.

Moreover, some speculative,
Japanese investors have been
buying dollars on the theory that
the US authorities would like to
see the dollar strong for political
reasons during the period
between the Toronto summit and
the Neyember presidential election.

say this positive view of the dol-lar took root in Europe a month ago - causing the dollar's rapid rise against the D-mark. "The Japanese market was more soep-tical, but foreign exchange people now agree that the dollar should rebound." The bank fore-casts a trading range of 7125-Y138 for the US currency.

FUND SEEN AS TOO INFLEXIBLE

Sudan ends talks on reforms with IMF

BY VICTOR MALLET IN NAIROBI

SUDAN HAS cut short a round of gible for its loans more than two negotiations with the International Monetary Fund because of arrears.

tional Monetary Fund because of differences over the pace of economic reform, according to Sudanese officials in Khartoum.

In the budget earlier this month the Government of Prime Minister Sadiq el Mahdi went some way towards placating the Fund by announcing a series of price rises and promising to privatise some inefficient state corporations.

vatise some inefficient state corporations.

But the IMF has also been pressing for a substantial devaluation of the Sudanese pound, and at the weekend Mr Abdallah Mohammed Ahmed, the Information Minister, said talks with a visiting Fund team had been broken off because of IMF inflexibility. He said he emected negotia-

THE WORLD Bank has expressed cautious approval of Pakistan's budget for 1989-89. The Bank, which lends \$700m a year to Pakistan, had threatened to reduce the growing budget deficit.

After the budget was announced, Mr Lewis de Ascarati, World Bank chief in Islamabad, asid: "For the last three years the deficit increased until we said this cannot go on. If get on Suaday, claimed the produce a definite of the said produce a definite of the sudget deficit."

The WORLD Bank has expressed improvement in terms of deficit." improved collection of income of the improved collection of income of the lowever, the budget was much tax. At present an estimated provide a period as estimated the income of Rs70bn is believed to escape assessment. The measures include compulsory installation of cash registers with non-erasting full of sweeteness such as increased pensions, dowry fund, announced, Mr Lewis de Ascarati, World Bank chief in Islamabad, asid: "For the last three years the deficit increased until we said this cannot go on. If get on Suaday, claimed the produce a definite could be turned into a surplus by their station in life."

A devaluation and a round of A devaluation and a round of price rises last year provoked riots in which a mimber of people were killed. Opponents of the Government have already attacked this year's budget and accused the authorities of surrendering to the IMF. Sudan's economic problems

have been compounded by a civil war between the Government in the north and rebels in predomi-nantly Christian south.

The Government has been at war with guerrillas of John Garang's Sudan People's Liberation Movement, which seeks autonomy for the south, since 1983. Much of southern Sudan is no longer under commenced control of the south state. longer under government control and the main southern towns of Juba, Malakai and Wan come under frequent SPLA attack. • Fereign bankers and diplorereign bankers and diplo-mats yesterday predicted a small devaluation before the end of the year, in order to maintain the goodwill of the IMF and deaper countries, Reuter reports from Khartoum.

Dangers of Nigerian toxic dump emphasised

Africa Editor

THERE IS a growing danger than the 3.500-bin toxic waste dump at the Nigerian port of Roke will spontaneopaly combined, and wind will help spread carcinogenic dioxins over a large area. Friends of the Earth, the environmental lobby, warped yesterday.

It is now clear that the Migerian authorities face an expensive environmental diagner which will need international assistance to remedy.

The lobby yesterday released the results of an on-the-spot inspection of the waste by Mr. Mark Line, an environmental esternist, and Dr. Barry Lambert, a radiation expert.

The experts found no evidence the dump contained radio-active material, as the Nigerian Government had originally feared. But the waste, exported from Had originally feared. But the waste, exported from Had originally feared by the hole application of schile wastes, chlorinated hydro-carboins such as polychlerinated biphenyls, waste paints and unidentified semi-sold materials.

Up to haif of the estimated 8,000-10,000 drums holding the waste "are in an appalling physical condition and there is an immediate and continuing risk of fire or explosion," according to a preliminary report released by the lobby in London yesterday.

The waste cannot be moved "without elaborate equipment

The waste cannot be moved "without elaborate equipment and a large team of qualified personnel", says the report. The exercise would cost over firm and would take several months.

The team would also face the risk that any movement of the material would set off an explosion, and wind could carry dioxins over a large

In Lagos, the Nigerian Government welcomed last Priday's offer by Rome to have the Italian companies remove the waste, but yesterday's remove unseement state would be a report suggests this would be a complicated exercise.

Mr Andrew Lees, a toxic waste expert at Friends of the Earth, called the Nigerian shipments "a scandal".

Kampuchea guerrilla heads 'agree

peace plan'

KAMPUCHEAN guerrilla leaders have agreed on a blueprint for peace which they will present at talks with Vietnam peat month, according to a statement broadcast vesterday, Reuter reports from Bangkott.

Prince Norodom Sihanouk, a guerrilla leader, net his two partners in a therecognised Kampuchean goalition in Thalland before travelling to the Kampuchean border on yesterday to accept credentials from foreign ambassadors.

A statement broadcast by his group's clandestine radio station, membered in Bangkok, said that Prince Sihaneuk, Khmer Rouge faction leader Khieu Samphan and the coalition's Prime Minister San Sam drafted a common position for unofficial peace talks in Jakarta in late July.

Vietnam invaded Kampuchea in late 1978 to oust the pro-Peling Khmer Rouge Government, held responsible by Hanoi and Western human rights groups for hundreds of thousands of killings. The Khmer Rouge remains the dominant group within Prince Sihanouk's cealition.

Vietnam has said that 50,000 of its 100,000 troops in Kampuchea would be pulled out this year and the rest by 1990.

The statement said that Vietnam should attend the Jakarta

The statement said that Vict-nam should attend the Jakarta meeting on the day it opened. Under a formula worked out between Indonesia and Victnam. the three Kampuchean guarrilla factions and the Pinora Penh administration would meet first, and Victuant, Laos, Indonesia and Thailand would lein in later.

and Thailand weald join in later.

The statement said that the talks should lead to a withdrawal of Vietnam's forces "in three stages within a clearly fixed time table under inhernational supervision." The Phnom Penk Government should be dismantled after the second stage and replaced by a provisional four-party coalition headed by Prince Sibanook, it said. ouk, it said.

The provisional government would organise direct and free elections under international supervision to choose a constitutional parliament. The assembly would be responsible for drafting a constitution, naming the new state, creating a national flag and anthem and setting up political, economic, administrative, educational, cultural and press systems, it said.

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The flour milling technology developed over the past 35 years by Roncaglia OPR enables bakers, farming cooperatives, farmers, large users of flours. grits, semolina, breweries, confectionery industries, pasta factories, etc., to set up their own independent flour mills.

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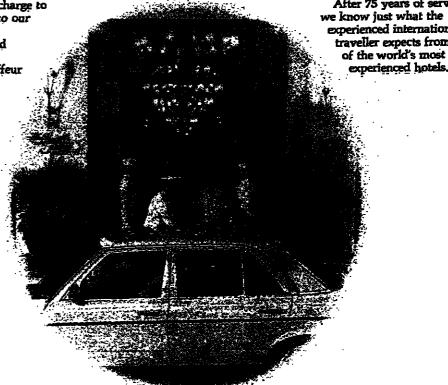
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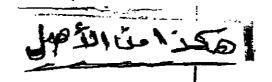
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Intil very recently, only those in the upper echelons of the social register ever inherited anything of any real worth. As the heirs of "well-to-do" families they knew what was coming to them, just as they knew what was expected of them.

This wealthy and worldly minority (perhaps 10% of the population) is now about to be superseded by a new, larger and more volatile band of inheritors: today's middle-aged, middle classes.

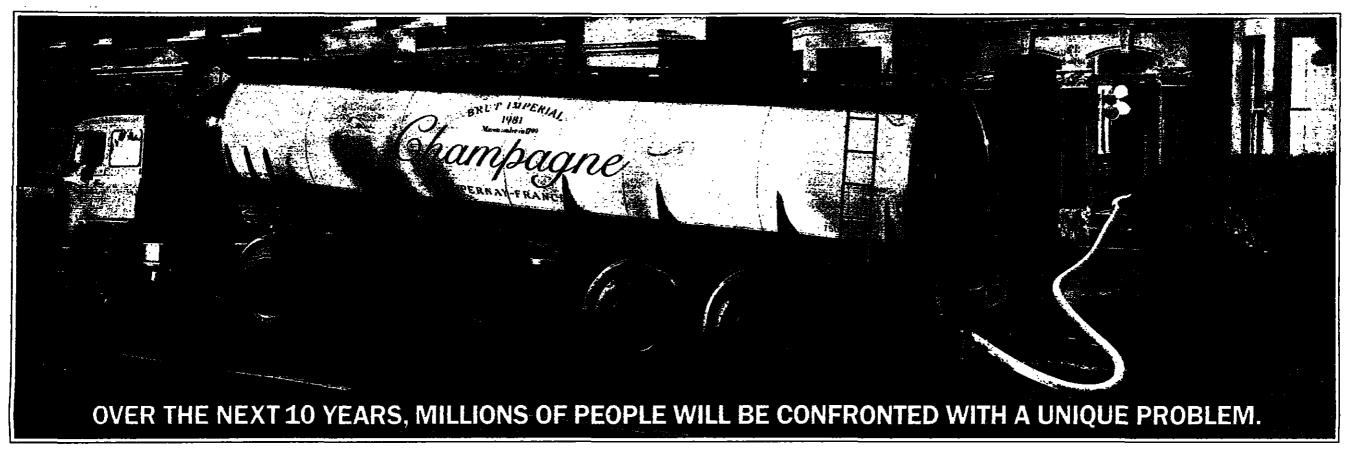
It is they who are set to become the "nouveau riche" of the 90's and beyond. And they will, in a very real sense, owe it all to their parents.

For it was the post-war generation who first enjoyed widespread home ownership. Now retiring in their millions, they will soon be conferring their wealth upon their already affluent 40 and 50 year old children.

A portentous event when one considers that even a modest estate can now be expected to top the £100,000 mark.

In fact, estimates predict that by 1997, parents passing away will pass on a staggering £24 billion a year. (240% up on current levels.)

Undeniably, the impact of this quiet, yet colossal transfer of wealth will be immense. It will affect



companies big and small, old and new, progressive and old-fashioned alike. It will doubtless affect you and your company. After all, millions of dutiful sons and daughters will be presented with dauntingly large legacies.

But will they spend, spend, spend? Or will they use their vast discretionary wealth with discretion?

Will they, as some pundits predict, fritter their money away on the likes of fritto misto di pesce and moules à la crème; German fitted kitchens; Milanese designer furniture; winter holidays in St Lucia and summer jaunts to gîtes in the Camargue?

Or will they, as rival experts would have us believe, plough their considerable capital into the City's money markets?

As it is, 1 in 5 adults now hold stocks and shares of one sort or another. 1 in 3 have taken out their own private pension plan. 1 in 10 have decided to invest in private health care. These figures could advance dramatically given sufficient nouveaux inheritors with sufficient financial perspicacity. No area of finance would remain untouched.

Private education, for example, could become a realistic and popular option for legions of middle class families overnight.

Whilst an ever-decreasing retirement age and a less munificent welfare state could bring pension and private health care planning to the front of millions of minds.

The vagaries of luck and fate need not decide your company's eventual response to all this, though. You can start doing something about the matter today, just by thinking ahead.

For forward planning is the only answer. An answer that we at Ernst & Whinney have put into practice for companies of all sizes and complexions. In all probability, your company could benefit from contacting us. After all, without wishing to blow our own trumpet, we do have a wealth of experience.

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シリング

All state groups candidates for sale says Lawson media centre

NO NATIONALISED industry was beyond consideration for privatisation Mr Nigel Lawson, Chancellor of the Exchequer, said

Both British Rail and British Coal were possible future candidates for sale, Mr Lawson said. The burden of proof had changed completely and the question now was, why should any industry stay in the state-owned sector? Speaking at a conference on privatisation, Mr Lawson said the Government had privatised nearly 40 per cent of the state commercial sector it inherited in 1979. At the end of the present phase of sales, that would rise to 60 per cent but it did not intend to ston there.

to stop there.
"We have pushed back the frontiers of what is thought capable of privatisation so far that no nationalised industry is completely out of consideration. That is a truly radical development if is a truly radical development."

Mr Lawson said there was no reason to think that October's stockmarket collapse had undermined the capacity of the London



Nigel Lawson: 'pushed back the frontiers'

tions under way included British Steel and Girobank, the banking subsidiary of the Post Office, which will be sold in the next

market to support new issues. He said four major privatisa-Berisford takes over **Dashwood agency**

SIR FRANCIS Dashwood, has series of caves at West Wycombe crowned 35 years at Lloyd's of to provide work for unemployed London by agreeing to sell his labourers. underwriting agency to S.& W. Berisford, the commodities trad-

The baronet - who began his ment, but he falled to win a seat career there as a 55 a week insur-His career at Lloyd's blossomed ance broker in 1953 - is one of in the 1970s after he founded his the most aristocratic huminaries own underwriting agency in of the Lloyd's community. Dut, like many other executives of the Lloyd's market's 240 underwriting agencies, he has found that in Agencies, which looks after the affairs of 317 members of the affairs of 317 members of the affairs of 317 members of the affairs of 318 members o an age of more complex regula-tion has led to a heavy burden of

administration. too small to be economically via-"There's a fantastic amount of ble. And, at the age of 63, Sir paperwork," said Sir Francis. Francis himself is giving thought speaking yesterday from his neo-classical country seat at West Wycombe Park, Buckingham-for mergers of Lloyd's underwrit-

Even by the eccentric stan- Names. dards of Lloyd's of London, Sir "It was a natural marriage," Francis has been one of the says Sir Francis, who last year City's more colourful figures, severed his earlier connection combining his work there with with Mr Richard Outhwaite. cattle ranching in Colorado and It seems unlikely. however farming in Wales and Australia that the next baronet of West He is also a descendant of one of Wycombe will run a Lloyd's teenth century England, an ear- ested in shooting and fishing," lier Sir Francis who excavated a Sir Francis says.

The present Sir Francis first entered Lloyd's as a way of gaining and financial services group, for between £1m and £2m.

The baronet – who began his ment, but he failed to win a seat.

wycombe Park, Buckingnam- for hergers of Ladyd's times win-shire, near London. Instead of ing agents by agreeing to the Ber-being able to walk about the isford deal, which involves Beris-Lloyd's underwriting room, pick-ing up gossip, he has found him-self increasingly pinned to his desk.

Dashwood, representing 630

"It was a natural marriage It seems unlikely, however

Isle of Man to examine potential as

THE Government of the Isle of Man, the island west of Liver-pool in the Irish Sea, has set up a study on ways to for it to become an important centre for the electronic media, much

services centre. The study encompasses everything from microwave television and radio to terrestrial and satellite television

trial and satellite television.
The local tourist board even hopes that tax advantages may entice a film studio to set up on the island.

The isle has already approached Mr Rupert Murdoch, chief executive of News International to consider rebroadcasting Sky, his satellite channel, from transmitters at north-west England.
Other large communications Other large communications companies are believed to be holding talks on other possible

projects.
"What we want is to create a centre of excellence and we are looking at radio, television and satellite," said Mr Alex Cameron, a retired paint mannfacturer who is chairman of the group. It will report to the island's Government later this

The Isle of Man has noticed how small territories such as Monaco have become impor-tant centres of commercial broadcasting and would like to use its status as a self-govern-ing island to try something

Broadcasting in the island is not controlled by either the Home Office or the Indepen-dent Broadcasting Anthority, although the UK is responsible for all the Isle of Mam's exter-nal relations,

The Isle of Man is covered The Isle of Man is covered by the UK's Wireless Telegraphy Act administered by the Department of Trade and Industry which deals with matters such as interference. Although the possibility of the Isle of Man's creating both its own Wireless Telegraphy Act and its own independent broadcasting authority is broadcasting authority is being considered, Mr Cameron said any project would proceed only with the approval of the

The study group is enthusiastic about setting up MVDS, or microwave television, on the island to deliver 12 channels of television.

Serious thought is also being given to turning the local Manx radio station into a commercial broadcaster to north-west England. Mr Norman Davey, a professional broadcasting engineer who is a member of the study group, believes he has found a mediwould not cause interference

Tim Dickson sums up the schools dilemma for expatriates

Lords hold out cash hope for Britons abroad

The UK is almost alone among leading industrialised countries in failing to provide financial support for the children of its ressupport for the children of its residents temporarily working abroad. The French government spends £133m, Bonn puts up £30m and Tokyo at least £65m a year, while smaller competitors such as Italy, Switzerland and Sweden chip in £12m to £13m, £6m to £7m and £2.5m respectively.

"The effect is to provide children of those countries living Department of Education and Sci-abroad with a similar education ence, but it has met with surpris-to what they would receive at ingly enthusiastic all-party sup-home at a price which even the port in the House of Lords.

per cent and 70 per cent of the dren of British nationality residence of schooling, according to a ing in another member state of report written last year by Sir the European Communi-Mervyn Brown, formerly of the European Community – moved by Baroness Young, Foreign and Commonwealth Minister of State for Education in office, on behalf of the council of Mrs Thatcher's first government British independent schools in and supported by the Labour the European community) Cobi-Armed with these and other

findings, Cobisec (and more par-ticularly its chairman, Mr Dick Pantlin) have been waging an energetic campaign to persuade the UK Government to make some sort of similar provision in Mr Kenneth Baker's education bill currently proceeding through parliament. So far the plea seems to have fallen on deaf ears at the

speaker in the Lords, Baroness David, as well as Lords Jellicoe and Limerick – can be inserted into the bill when the matter is fully debated at the report stage

today and tomorrow. Mr Pantlin, who helped establish the British School in Brussels in the late 1960s, admits that the growing interest in the 1992 programme for creating a single European market has given his efforts an important boost.

The Brown report - based on a

struction industry.

The report adds: "The great majority are alien to boarding school tradition and prefer to keep their children with them."

The problem, as Mr Pantlin explains, is that the fees of British schools which have grown up to accommodate their needs in centres such as Paris, Rome, The Hague and elsewhere - these

THE LIFE of an expatriate is self-employed can afford the offen the object of envy. But as degree of subsidy varies consider the backers of an amendment to ably but it is nostly between 30 he debated in the House of Lords per cent and 70 per cent of the today point out, British citizens can find themselves at a big disaction and the schooling for their children. The hope of all involved is that an amendment providing assistance for the education of children to the British nationality residing in another member state of the would send their children home ing in another member state of the British private schools, "the would send their children home ing in another member state of the British private schools, "the European Community residing in another member state of the European Community residing in another member state of the European Community residing in another member state of the European Community residing in another member state of the European Community residing in another member state of the European Community residing in another member state of the European Community residing in another member state of the European Community residing in another member state of the European Community residing in another member state of the European Community residing in another member state of their children home in an amendment providing assistance in the education of their children home in an amendment providing assistance in the education of their children home in an amendment providing assistance in the education of their children home in an amendment providing assistance in the education of children home in an amendment providing assistance in the education of their children home in an amendment providing assistance in the education of their children home in an amendment providing assistance in the education of their children home in the residuation of their children home in an amendment providing assistance in the education of their children home in the residuation of their children home in the residuation of the mostly engaged in business or in nesses, and of companies setting various self-employed capacities up for the first time." A lead to but they also include manual number of people are forcated workers in, for example, the construction industrial. will, not least when their children are about to take, or are in the middle of studying for British examinations.

examinations.

As Baroness Young put in in an earlier debate in the Lords:

"What we are doing by not helping our children abroad is handicapping our people in Europe.

Any businessman going abroad will ask as one of his first questions, what about the education of some children will be paid for. Some narents will be able to days 25,000 or more without any boarding – are beyond the range some children will be able to form parents will be able to companies do not provide help.

They reckon there are four to children; others will be left out."

Land Rover drops out of army new heavy truck business

LAND ROVER has been edged out of an important niche in the army lorry business just as Bedford - now under the name of AWD - is competing to defend its hitherto reserved territory in the heavier four-tonne range of military trucks.

The first contract to meet the British Army's new requirement for a two-tonne truck, worth £26m and involving about 1,000 units, has gone to the Amer-sham-based engineering and vehicle company Reynolds Boughton after competitive trials. The trucks are to replace one-tonne Land Rover vehicles currently in service, from 1990

Land Rover said yesterday it had decided not to proceed with manufacture of the truck it developed in order to bid for the con-

A third contestant, the Rochester-based manufacturer Stone-field said, however, it would press ahead with its two-tonne military truck for export. It has already sold these vehicles to

day that it had approved the sale of the British Shuipbuilders' yard at Govan in Clydeside, Scotland, to Kvaerner Industrier, the Norwegian shipbuilding company.

Mr Kenneth Clarke, the Minis

ter for Trade and Industry, said

in a written answer to a question in Parliament that talks between

the two groups had been success-

ful. He also revealed that Kva-

Boughton's first large vehicle contract with the British Army, and Mr Stephen Boughton, man-aging director, said he hoped a similar number could be placed overseas during the three-year term of the contract.

The four-wheel-drive RB44 Mk
II, which uses a Perkins diesel
engine, is based on a commercially available lorry in wide use
with electricity and water companies. The army property is nies. The army version is designed for multiple roles including as a front-line troop carrier, and can tow a 105mm gun. The group has already sold a military fire-engine variant to the Greek armed forces. The chassis frame and cab will

be produced under sub-contract by Renault at Dunstable. The Ministry of Defence said it expected the first production vehicles to enter service in December next

Another three-cornered fight involving a traditional supplier is currently about he going on for the army's next generation of four-tonne lorries.

AWD – formerly the Bedford destined for export.

Govan shipyard sale approved

THE GOVERNMENT said yester- two further ships later this year. announced early last year," the

fund support for the orders within the limits permitted by the European Community Sixth Directive. Mr Clarke said the

orders would provide work for

Govan well into 1992.
"Agreement with Kvaerner

brings the promise of a secure future for the yard, for which British Shipbuilders have not

two gas ships with an option for been able to win further orders dispose of British Shipbuilders'

their clients to confirm orders for beyond the two ships for China Govan yard

He said that the Government Minister said.
had agreed to offer intervention Kvaenser has

The deal marks Reynolds subsidiary of General Motors, loughton's first large vehicle acquired last November by David outract with the British Army, Brown – is pitting its new ML 4 ×4 against Leyland DAF and Volvo as the Ministry pursues its policy of competitive tenders.

AWD said it expected the contract, which was unlikely to be decided before the mid-1989, to lead to \$400m worth of sales over 10 years. Eight vehicles from

each of the contestants are cur-rently undergoing trials. Bedford M-type four-tonne lorries, in military use since the early 1970s, are the Army's main general logistic vehicle, with some 22,000 in service. Endorsement of the new truck by the

British Army is seen as crucial to export hopes. However, AWD said it would go ahead anyway with the ML 4 × 4, occupying the bottom of the range of a new series of vehicles,

even if it were not chosen.

The company's Dunstable production lines north of London are currently about half geared to Ministry of Defence vahicle

Kvaerner have confirmed their

intention to transfer their ship technology to Britain and to develop Govan as their centre for gas ship technology in support of activities worldwide, he said.

Mr Clarke said that, subject to the approval of the European

Commission and agreement on

"certain outstanding matters of detail." it had been decided to

Satellite TV 'appeals to 4 out of 10 consumers'

ennouncement earlier this month by Mr Rupert Murdoch that be planned four advertising-financed satellite channels which can be picked up by equipment costing £199.

Since the Murdoch amounce-

equipment needed to receive sat-ellite television and how much it will cost to buy has increased markedly and 911 out of a sample of 996 adults know about satellite

Given a dish size of 1 or 2 feet in diameter two out of five people aware of satellite television say they are "very or quite likely" to install receiving equipment. "This should be seen as a very encouraging result for the satel-lite industry." Mr Paul Green-

encouraging result for the satellite industry." Mr Paul Greenhalgh, Marketing Direction's director of satellite studies said yesterday.

Mr Murdoch's Sky Channel is Direction of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Assurences of Satellite Television: £350 from the first trends in Consumer Ass

MORE THAN 40 per cent of consumers say they are likely to buy channel at the moment.

Satellite reception equipment and there are clear signs that the public is becoming better informed about the issue picked up now or will be soon. Involved, according to a new study. the UK's direct broadcasting by The report by Marketing Direction and Gallup was based on launched in autumn 1989 was interviews carried out after the mentioned by only 15 per cent. mentioned by only 15 per cent.

The study also picked up considerable public confusion over the Government's announcement that it is considering an eventual transfer of BBC 2 and Channel 4

to satellite distribution. Many people think that all four existing television channels are to be transferred to satellite. Megasat, one of the leading dis-tributors of satellite receiving equipment believes it will be able to offer equipment capable of receiving channels from both Astra and BSB for a retail price of 2340 from early next year.

The equipment would have a simple motor moving the dish

Yorkshire wool expansion

yarn for the carpet industry, is Lawton and its fellow carpet buying a factory at Meltham yarn spinners – most of which tory, which was purpose built in companies based in Yorkshire the early 1970s as a tractor plant, — as expanded with the market.

then plans to relocate its three existing mills - all based in and

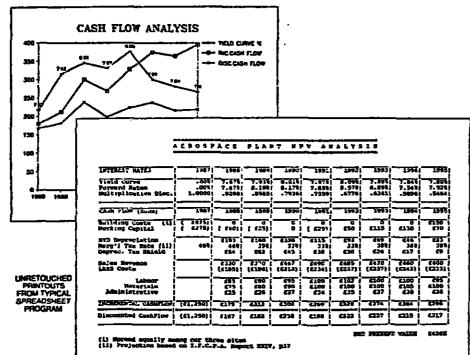
A COMPANY at Huddersfield, in sales of 213m last year, it spins 70 the north of England, plans to jons of yarn every week invest \$4m in one of the few new The carpet spinning sector has mills to open in the Yorkshire been one of the most buoyant wool industry since the economic areas of wool textiles in recent recession of the early 1980s. years, because of the growth in recession of the early 1980s. years, because of the growth in Fred Lawton, a privately demand from consumers for owned company which spins woollen carpets. Lawton and its fellow carpet

will be re-equipped with modern Lawton alone has doubled its outspinning machinery.

The development will be completed within two years. Lawton within the last two months. The level of investment within wool textiles, and in other areas around Huddersfield - at Mel- of the textile sector, has risen

tham Mills. Its present workforce rapidly in recent years. Most of of 350 people will move to the this investment has been directed new plant. Lawton's manufacturing capacity will be increased by more than 10 per cent when the mill opens. The company registered to intends to do.

For people who enjoy ploughing through figures.



If the spreadsheet printouts on the left look familiar, it's because they were produced with the type of program your company uses now.

documents on the right? These, too, were created with a spreadsheet. Microsoft Excel.

A new package that takes full advantage of the latest generation of PC workstations, such as the IBMo PS/2m series. Integrating a spreadsheet of unparalleled flexibility with a lightning-fast database and outstanding business graphics.

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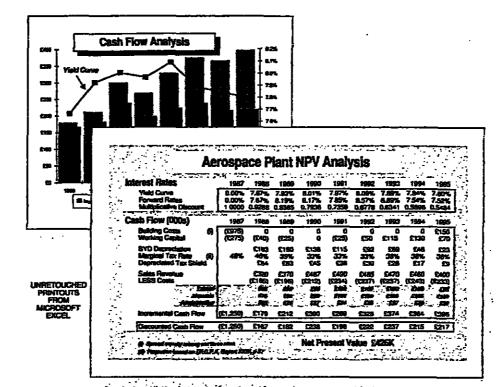
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Microsoft Excel lets your company analyse, But wouldn't you rather be working with the audit and project its figures like never before. With speed that gives your spreadsheet users time to explore more options. A facility to break complex models into manageable chunks.

And special tools to pinpoint errors. It can instantly transform data into sturning charts and graphs. And it has customisation features that let it adapt to your company's needs, instead of the other way round.

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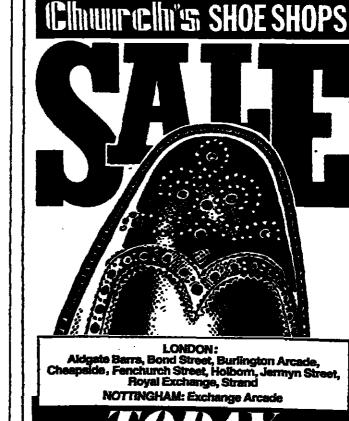
For people who don't.



Microsoft Excel is fully compatible with Lotus® 1-2-39. So your people can take existing data and skills -- and even macros -- with them when they move up from the older program. And it has the same look and feel as OS/2

Presentation Manager, the operating environment of the future. Which means it's not just more powerful, it's easier to use. So if you make decisions on the basis of

readsheet data-or, indeed, prompt others to do so-you should ask yourself one question. Why aren't we using Microsoft Excel?



BRITISH COLUMBIA RYDRO AND POWER AUTHORITY

اهکارندانه

TV battle breaks out over rights to soccer coverage

A FIERCE battle for the televi-sion rights to league soccer broke Football League, eventually the equation and ITV had now out vesterday as Britain's inde, reaching deals after sometimes made a positive counterbid. pendent television (ITV) compa-nies said they would try try to by-pass the Football League and reach individual deals with top clubs such as Liverpool.

The ITV companies are pre-

pared to offer as much as £10m for the exclusive rights to cover top games on Saturdays and screen them on Sunday after-noons. Talks have already begun with some leading clubs in the 22-strong first division.

"We are prepared to pay considerable sums of money to the clubs which the public wish to watch on television," Mr Greg Dyke, director of programmes at London Weekend Television and chairman of the ITV Sports Committee said yesterday.

The move is a response to the arrival of satellite broadcasting as a factor in sports coverage, something which has already shattered the traditional way in ons-endorsed the policy and which football broadcasting detailed negotiations are now rights have been purchased. under way.

The BBC and ITV have previ- Mr Dyke said yesterday that

though, ITV told the Corporation it wanted to negotiate alone.

Last month British Satellite

Broadcasting, the UK's £625m direct broadcasting by satellite venture, said it was negotiating a deal which would guarantee the Football League and Football Association £9m a year for the rights to broadcast football in return for some exclusive games. BSB claimed its deal would offer the football authorities more control over coverage.

A new joint venture company would exploit the world rights, eventually forcing both BBC and ITV to buy from it their rights to handcast sover

Earlier this month 91 of the 92 clubs in the football league's four divisions -the exception was Liverpool, the League champi-

made a positive counterbid.

"We are entering a new broadcasting era and the battle over
football is the first of a number of such battles we can expect. It is ITV's intention to win," Mr Dyke

Mr Bob Hunter, managing director of NOW, the BSB channel on which sport will be broad-cast said yesterday: "We are at an advanced stage of negotiations with the Football League and the Football Association and they are the people who have the rights to

The Football League is likely to oppose individual deals between broadcasters and top clubs. At the moment all 92 clubs share in the money gained from the sale of broadcasting rights.

Unless the ITV companies reach individual deals it looks likely there will be no league football on British TV when the new season kicks off in August. Four in 10 back satellite TV,

THF chief launches attack on Savoy's senior managers

yesterday with a bitter attack on severe criticism, as did Mr Willi Savoy's senior managers from Mr Bauer, a former employee of THF Rocco Forte, Trusthouse Forte's who defected to become general

They had "their snouts in the

mately lead to it winning control Hugh has lived for free all his of the luxury hotel group, which life. He started without a penny operates Claridges and the Con- and now owns two country naught as well as the Savoy estates."

The larger hotel and catering group first made a takeover bid for the Savoy in 1981.

Mr Forte said his remarks were directed towards all the 12 senior by THF.

Savoy managers and directors Mr Bauer would definitely be who between them earned over sacked if and when THF ever

"This is an unnecessary expense for a company which badly towards THF." made profits of only £14m last

trough" and were "getting every-thing for free," he said.

Hugh, a former Lord Mayor of he was hounding an old man to London, was still paid a salary of his grave. "Sir Hugh should have

On Mr Bauer, he said it was ridiculous" that he should have been paid £180,000 last year, he would have got a maximum of £60,000 if he were still employed

"What on earth do the employ-ees think?" Mr Forte continued.

A FORETASTE of the menu for Sir Hugh Wontner, the 79-year "How can they respect their Friday's extraordinary meeting of old former chairman of the Savoy Hotel group was provided Savoy, came in for particularly company, we intend to inject a different spirit into the business Mr Forte denied that the legal battle against the Savoy was manager of the Savoy Hotel. Mr Forte claimed that Sir and dismissed suggestions that

His vitriolic comments at a £43,000, even though he had gone out to grass a long time. London press conference came retired, and still had the use of a go," Mr Forte said.

The legal imbroglio between the two companies centres on a the two companies centres on a contract of the two companies centres on the two companies centres on the two companies centres on the contract of the two contracts of the two companies centres on the contract of the two contracts of t bolders are to be asked to con-demn THF for a bout of litigation "That is an undignified way to which, if successful, could ulti-behave," Mr Forte said. "Sir in the Savoy issued in 1971 as

part of the acquisition of the Hotel Lancaster in Paris. THF is arguing that the shares with 5.77 per cent of the total

votes, were issued fraudulently and so should be cancelled. This would leave THF with 44.92 per cent of the votes and reduce the votes held by the Savov board from just over 50 pe cent to 47 per cent

At present, THF owns over 70 won control of the Savoy, he per cent of the Savoy's total added. "He has behaved very equity, but because of a two-tier structure introduced in as less than half the votes.

Newspaper shakeup worries retailers

receiving a growing number of from retailers being denied newsabout newspaper distribution after the drastic re-organisation

of the hadronic re-organisation

complaints to the OFT range said his department had received from retailers being denied newsa number of representations papers to anger at loss of choice from newsagents on the subject of wholesalers after rationalisa- and these had been referred to the OFT. THE OFFICE of Fair Trading is

of the business over the past 12 mended that an appeals body should be set up to deal with disputes over newspaper and magazine distribution.

BY PETER RIDDELL AND RAYMOND SNODDY tions and poorer terms of trade. Mr Francis Maude, the corpo-rate affairs minister, pointed out

distribution introduced by cer-tain newspaper publishers." twoards a In a separate answer Mr Maude distribution

Complaints to the OFT range said his department had received

His answers were in reply to questions from Mr George Howarth, the Labour MP for The issue has been under review for some time following a Monopolies and Mergers Commission report in 1978 and an OFT report in 1986 which recommended that an appeals body inclining recent developments in agreement an appeals body inclining recent developments in agreements in agreement and the Labour MP for Knowsley North, about "the current practice of certain newspapers under review, inclining recent developments in agreements in agreement and the Labour MP for Knowsley North, about "the current practice of certain newspapers under review, in a parliamentary written." tribution" and about "the trend twoards a virtual monopoly of

OF MAN ISLE

The Financial Times proposes to publish a Survey on the above on

Friday, 29th July, 1988

Topics proposed for discussion include:

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FINANCIAL TIMES

in Brief

Burger box maker acts on fears over ozone

LIN PAC Plastics, biggest UE maker of expanded polystyrene fast food containers, has elimi nated chlorofluorocarbons (CFCs in its production process following concern about the environ-ment, writes Maggie Urry. CFCs are believed to damage the ozone layer in the atmo-

Lin Pac, a privately-owned company based in West Yorkshire, is the sole supplier of burger boxes in the UK to McDonald's, the hamburger chain.

It is replacing CFCs with pentane, a derivative of oil, as the

blowing agent which expands the

House prices soar across Britain

House prices are soaring nation-wide due to property shortages and panic buying before the August deadline for tax relief on home loans for unmarried couoles, said the Royal Institution of

Chartered Surveyors.

A survey of 118 estate agents show the sustained rise in house prices in London and the South East has spread most strongly to the Midlands and the north of England.

More than half of the estate agents reported a rise over the three months to May of 8 per cent, suggesting a 30 per cent rise over the year. A third reported rises of 2 per cent and none reported a fall.

Irish talks rejected

Leaders of Northern Ireland's predominantly Protestant Union-sist Party rejected a renewed offer of talks without preconditions from Mr Charles Ĥaughey, Irish Prime Minister, made at the European summit in Hanover.

Magazine launched

Hamfield Publications, founded by former Daily Express execu-tive Mr Frank Hampton, is to launch a weekly colour supple ment for more than 30 regional evening newspapers called Plus

Whitbread US deal

Whitbread. UK brewer and retailer, has signed a franchise with TGI Friday's of Dallas, Texas, to develop the US group's restaurant chain in Europe.

Air travel losses

ers made a loss of nearly £25m in 1987, the first loss since 1974, despite a 31 per cent rise in turn over to £2.8bn, Civil Avlation Authority figures show. The top 30 companies account for 82 per cent of all licensed air holidays.

Oil theme park

Aberdeen, centre of Britain's off-shore oil industry, unveiled a scheme to make the oil industry into a tourist attraction. It hope to attract more than 450,000 visitors a year to a £15m to £20m theme park in the city called the Oil Experience.

Cellnet asks for more channels

By Huge Dixon

CELLNET, one of the UK's two mobile telecommunications operators, has asked the Government for extra radio channels to satisfy accelerating demand from customers. Vodaphone, the other operator, has not yet made such an application, raising the possi bility that any new channels might be divided unequally.

Last year, when Vodaphone was given a temporary allocation of new channels, Cellnet which did not apply complained vigor-ously. It argued that Vodaphone needed new channels only because it had failed to use its existing channels efficiently.

Yesterday, however, Mr Colin Davis, managing director of Cellnet, said the company was not being " profligate" in applying for more channels. Cellnet has asked for part of the radio spectrum known as

Etacs. At present, Etacs is available for mobile telecommunications only in central London where demand is highest. In the rest of the UK, it is used for military purposes.

"The continual acceleration in demand which we are witnessing can only be satisfied, even in the medium term, by making more spectrum available," said Mr Davis, who was speaking at a Financial Times conference in London on Telecommunication and the European Business Mar

The Department of Trade and Industry, which is handling Cellnet's application, is understood to believe there is no urgency to provide extra channels. But if it released new channels, there is released new channels, there no guarantee that it would divide them equally between the two

Philip Stephens looks behind the poor May trade figures

Runaway demand tilts the balance

CURRENT ACCOUNT

THE TREASURY put a brave face on it. As the pound and share and government bond prices fell sharply in response to news of a record £1.2bn current account deficit in May, the official message was that things were better than they looked.

The deficit-now at £4.7bn for the first 5 months of 1988 compared to £1.6bn for the whole of 1987 - reflected the relative strength of the economy and buoyant capital inflows resulting from enhanced confidence in Britain among overseas inves-

There was no parallel with the crises of the 1960s and 1970s, which were the result of profligate government spending and borrowing. The deficit would be higher than the £4bn Budget fore-cast, but would be readily

Unfortunately, few in London's financial markets were convinced. The general expectation is that Mr Nigel Lawson, the Chancellor of the Exchequer, will have to raise base interest rates for the fourth time this month in order to curb runaway demand in the economy and staunch the deterioration in the trade posi-

today, with optimists suggesting the rise may be of only ¼ point to 9½ per cent but many anticipating a move to 10 per cent.

The change in sentiment has been startling. Only last month, when base rates were 7% per cent, there were predictions that yet further falls in borrowing

growing unsustainably rapidly.
Coincidentally, the dollar's
surge against all major currencies, and especially against the
D-Mark, has raised doubts over whether a stable sterling/D-Mark rate is enough to prevent accelerating inflation. It is hard to pin down exactly how fast domestic demand is Most expect an announcement growing, but an annual rate of 5 per cent is probably a reasonable guide. That compares with domestic growth rates in

sures in check

Two things have changed.

Yesterday's figures marked the

since the start of last year, is stabilise suggesting a deficit of translating into both a surge in imports and a slowing in export a real danger that it may deterior likely) increase in taxes, interest growth, the latter compounded by sterling's rise over the last costs would be needed to stabilise the pound against the D-Mark.

Now there are doubts over whether even 10 per cent will be enough to keep inflationary pres-The volume of imports, excluding oil and erratic items, was 11

months to May than in the same period a year earlier. Exports; again excluding oil and erratics, rose by a relatively buoyant 4½ per cent, but were swamped by culmination of a series of indica-tors suggesting that demand, par-In parallel, the cushion provided by receipts from oil exports has been gradually deflating, hit by both the 1986 price fall and by the start of the decline in North

Sea output. More recently, receipts from so-called invisibles like tourism also seem to have been falling. The current account has thus moved from a surplus of £970m in the first quarter of 1987 to a defi-cit of £2.5bn in the three months

rate further.

kets' reaction is the fear that a deficit of that size will translate eventually into a falling pound and imported inflation. That would coincide with a build up of domestic wage and price pressures because of capacity con-straints in parts of the economy and rapid rises in house prices.

and rapid rises in house prices.

Those fears have in turn been compounded by the dollar's appreciation. By the close of London trading yesterday the pound was more than 10 per cent below this year's peak of \$1.90. As a result Mr Lawson has been forced to switch his attention away from the D-Mark to ster-ling's trade-weighted value, which is 5½ per cent down from its peak in mid-May.

The official view is that as long as overseas investors willingly finance the deficit there is little danger of the inflationary threat turning into reality. In parallel, the argument runs, since much of the growth in imports reflects purchases of new plant and in part be self-correcting as the new production capacity comes

The problem with that argument is that the surge in imports is in larger part a result of the continuing consumer spending boom-which will be further fuelled by what now look like dangerously over-generous tax cuts in the Budget.

Britain's overseas markets averaging perhaps 3 per cent.

That differential, apparent for is that the trend will now since the start of last year, is stabilise-suggesting a deficit of emergency package of public rate further. rates are the only weapon it has Underlying yesterday's mar-left.

Personal incomes growth rate accelerates

THE GROWTH rate of British personal incomes accelerated in the first three months of this year but there was an increase in the proportion saved, according to official figures published yes-

terday.
The Central Statistical Office said personal disposable incomes increased by 2.3 per cent in real terms in the three months to March after seasonal adjustment. Compared with the same three months a year before, incomes were 5.5 per cent higher.

The rise in incomes was faster than in the last three months of 1987 and was accompanied by a large increase in consumer

expenditure. The rate of growth

rise in the proportion of income saved-from 4.4 per cent in the last three months of 1987 to 5.3 per cent in the three months to March. That was still below the average for last year of 5.4 per cent - which was the lowest for any year since 1959.

The CSO said the latest figures for personal incomes were erratic ause of exceptional growth in the personal sector's income from company dividends. As a result the savings ratio figure may be artificially high.

estimate the extent of savings by This meant there was a small consumers. But the rise sugge consumer spending growth be

> Other figures published by the CSO show the profits of indusing for stock appreciation, UK cant rise in profits.

Many independent economists 8 per cent higher than the previfor spending, however, was below believe the official figures under-that for incomes. believe the official figures under-estimate the extent of savings by per cent higher than same period

> The CSO said the figures are distorted by the inclusion of British Airways, Royal Ordnance and trial and commercial companies included since privatisation. It grew strongly in the first three said, however, that even allowing months of this year. After allow- for this, there was still a signifiincluded since privatisation. It

> profits increased by 5 per cent in the first three months of this dends paid by companies on ordi-If North Sea oil companies are cent in the first three months of excluded the rise is even greater, this year after seasonal adjust-In the three months to March ment. There was a small increase profits for other companies were in spending on fixed investment



Our logo isn't the only thing we've improved in the last six months

(Interim profits up 36% to £30.5m.)

STATEMENT BY RICHARD LANGDON. CHAIRMAN

The half-year's profit has again fulfilled our expectations. Profits before tax at £30.5 Million are up by 36% compared with the first half of the previous year.

The current results include a proportionately higher provision for taxation than last year due to a lesser effect of currently available tax losses against increased profits. Earnings per share at 15.5p are up by 18% compared with the first half of the previous year, after allowing for the increased effect of the tax

Results for six months ended 30th April	1988	1987
Profit before raxation	£30,540,000	£22,424,000
Taxation charge	£7,500,000	£3,500,000
Preference Dividend	£1,526,000	£1,526.000
Earnings per share	IS.5p	13.1p
Dividend per Ordinary Share net of tax credit	3.5p	3.0p

charge this year.

We are paying an interim dividend net of tax credit of 3.5p per share which is 17% higher than the interim for last year.

On the 3rd May 1988 our main operating subsidiaries adopted the names of First National Bank Plc. First National Commercial Bank Pic and First National Developments Plc.

Earning assets now total over £1,200 Million and we look forward to further growth in

First National Finance Corporation p.l.c.



AUSTIN SMITH called in management consultants to help him impose some order on the rapidly growing building surveyors part-nership he had co-founded. Formed by a merger of two exist-ing businesses, Hogben Smith Barritt had grown five-fold in five years to employ 130 people in 12 years to employ 120 people in 12 offices around the UK.

"We weren't trained in manwe weren't trained in management so we were lying by the seats of our pants," Smith recalls. After the management consultancy division of Stoy Hayward had spent four months looking over the business, Smith and his partners appointed a chairman, established a management board and set up sub-committees to handle matters such as finance handle matters such as finance, client development and person-

Smith had no previous experi-ence of working with consultants but reckons he got very good value for his money. He is now considering using them again to

carry out a review of the business's salary structure.
But not every small business's experience of dealing with the consultancy profession is as positive. One small businessman is currently engaged in a legal tus-sle with the consultant he called in to help him design a market-ing brochureafter being pres-ented with a bill more than three

ented with a bill more than three times larger than expected.

"He hit me with a bill for £8,000 which was far in excess of my budget," says the businessman, who prefers to remain anonymous because of the legal dispute. After failing to agree a compromise the businessman cancelled the deal but was then presented with a bill running into several hundred pounds for into several hundred pounds for the work that had already been

As the government's £250m Enterprise Initiative (see box). intended to subsidise manage-ment consultancy for the smaller company, gets under way, more and more small companies will

THE ENTERPRISE Initiative was launched in January with the aim of helping 1,000 companies a month over the next three years with con-sultancy advice in six areas: design, marketing, quality management, manufacturing methods, business planning and financial and informa-

tion systems.

The scheme offers a free, two-day assessment by an enterprise counsel-lor to determine whether the busi-ness would benefit from consultancy and which of the six subjects would be most appropriate. If the counsel-lor gives the green light, the govern-ment will meet half the cost (twothirds in assisted and urban pro-gramme areas) of between five and 15 days of a consultant's time. In the past the government has been criticised for the meanness of

its consultancy support programmes. Now, ironically, the ambitious scale of the initiative has aroused sceptiConsultancy

A delicate relationship

Charles Batchelor explains what steps small businessmen can take to ensure positive results when seeking outside advice

couldn't tell us anything we because they have not dealt with didn't know. I was hoping he would come up with something "Dealing with the owner-man-

took the view that Bantay, which took the view that Bantay, which had grown over four years to consultancy at Stoy Hayward. employ six people and generate "He has more of an overview but £190,000 of turnover, was not ready for establishing a marketing operation. Patterson says he did not agree with this and he is now talking with outside marketing specialists.

Patterson now admits he was in the property of an education.

cism. Critics doubt whether enough counsellors and consultants can be found to do a proper job.

"Where are all these consultants to come from?" asks Peter Beck, vice president of the Strategic Planning Society. "The problems small companies face are simpler but they often lack the means of dealing with them. This means there must be a greater effort in training the chief executive."

But, despite the traditional image of consultants only being interested only in expensive long-term assign-

ments for large clients, the industry has been working increasingly for smaller companies, says Brian O'Borke, executive director of the

fully.

It is precisely this issue which has left John Patterson, managing director of Bantay, a Yorkshire-based manufacturer of special hospital beds, with a jaundiced view of consultants after he called one in to help him with his marketing.

"He sat here for a day and a half and we told him what our plans were," says Patterson. "On the second morning he said he couldn't tell us anything we because they have not dealt with totally."

ness because I am involved in it totally."

A major problem is that small ousider may reveal a quite different problem.

The cause of its difficulties while a more dispassionate study by an ousider may reveal a quite different problem.

The consultant must also modify his approach when making his recommendations. "You have to be aware that it will be implemented by a smaller team of people who are not specialists. You have to take a no-frills approach."

ew."

Patterson feels the consultant

Patterson feels the consultant

ook the view that Bantay, which

partner in charge of management

Patterson now admits he was is much more of an education probably over-sensitive to some and training process in setting of the consultant's suggestions the ground rules for the relationand this may have accounted for their failure to work better ner in charge of business services together.

be making their first acquaintance with consultants.

If the long-standing complaint about the profession, that it accountancy background I should the size of the market, an charges fat fees for telling people what they already know, is not to be repeated consultants and their I'm not an accountant but I have quality control. The management clients will need to tread carefully.

It is precisely this issue which

The question of how far the consultant should go in helping his client implement any recommendations is one that has long clouded relations between large companies and consultants. It is

For all his satisfaction with the advice provided to Hogben Smith Barritt, Austin Smith says the report he received from the con-sultants "asked as many ques-

'The partners' response to this was to organise a conference at their own expense which was attended by three of the Stoy Hayward team. This "debriefing" "The consultant said that McLintock.

because I wasn't a qualified It may take longer to identify accountant some aspects of the treal nature of the problem them to carry out the organisa-

the quality of assessment and advice will not be high.

Efforts have been made to make sure quality standards are main-tained. Accountants Grant Thornton

have been training counsellors in Scotland while the scheme contrac-tors - The Design Council, the Insti-tute of Marketing, the Production Engineering Research Association and 3i Enterprise Support - have been ordered to keep a close eye on spallity

been in business for two years and that they have tackled this sort of consultancy before, says Nigel Olsea, chairman of 3i Enterprise Support. The contractors will also vet the



by their presumed expertise. Roger Biddle, managing director of Ulstein (UK), a Dunfermline-based manufacturer of ships' propellers and gearboxes, has used consultants for a range of tasks in the part

The company, which has annual sales of £3m and which forms part of a larger Norwegian shipbuilding group, is currently using a consultant to improve its

tional changes the consultants had recommended.

The advice of companies with a long experience of management consultants is not to be overswed.

Biddle's advice on choosing a hiddle's advice on choosing a consultant is to look at two or three, then pick one with the experience the company is looking for and ask them in for a meeting. "See if you talk the same language," he advises. "Then ask them for their price." For all the pitfalls of dealing with consultants the outsider's.

with consultants, the outsider's view they can give of a company's problems can be invaluable. "He is going to organise us much better, says Biddle. "We haven't

completed projects to see they have provided value for money. By the end of May 5,000 applications had been received of which 3,000 had been given the go-ahead by the counsellors for consultancy con-

the counsellors for consultancy contracts to be awarded.

Marketing has proved the most popular option accounting for 40 per cent of contracts awarded, followed by qualify management with 21 per cent, design with nearly 14 per cent, manufacturing methods and business planning with 9 per cent each and financial systems with just ander 7 ner cent.

ander 7 per cent.

Some consultants expected most interest in the scheme to come from the larger, more sophisticated small companies. But, surprisingly, 80 per cent of applications which have been approved for the business planning and financial systems have come from companies employing fewer than 100 people.

Wealth of initiatives

Charles Batchelor on a study of US practice

state and city governments as well as the private sector have developed a wealth of initiatives aimed at backing the would-be entrepreneur and the small firm, according to a recent study". The author, Emma Oxford, took a year off from her job at the Department of Employment in London to study how America tackled urban poverty and unemployment. As part of her report she looks at efforts to encourage self-employment in poorer neighbourhoods.

The bank has ploneered the use of development deposits which offer socially-conscious investors from outside its catchment area a market rate of another suggestion for the matternative financing of small business though one which has secondary market in small business loans modelled on the federally-sponsored market in home loans. Financial intermediaries

and have been training services, one-stop regulatory agencies and-changes in public procurement policies, the study says.

Some of the most notable suc-

cesses have been achieved by individual projects which have as yet been unable to replicate themselves on any large scale. The South Shore Bank in Chi-

THE REAGAN government's small businesses.

The detailed knowledge its staff have of the locality allows them to make loans which would tration (SBA) may have created the impression that small business notes. As a result the 7 ness in the US has to fend for itself.

The reality though is that small businesses.

The detailed knowledge its staff have of the locality allows them to make loans which would terrify more remote bankers, the authoress notes. As a result the 7 per cent default rate on its SBA-backed loans is one third the approach of all such loans in Illin-

The reality, though, is that average of all such loans in Illinstate and city governments as ois.

she looks at efforts to encourage self-employment in poorer neighbourhoods.

State and local schemes proliferated after the publication in 1978 by David Birch of the Massachusetts Institute of Technology of his research findings which showed small business was a hig creator of jobs.

Despite the problems public officials have in making inherently risky investments financing schemes have remained popular and have been backed by advisory and training services, oneriques. Similar in principle to credit unions which exist in the UK, they use peer group pressure to ensure that loans - typically small-but frequent - are repaid. Programmes have already been started in Arkansas and in mainly Hispanic communities in Arkansas.

Arizona.
*Work that Works: A British Look at the Employment Problem in American Cities. Available free from Chambers of Commerce. cago, run by a small group of Enterprise Agencies or Mrs B. enthusiasts, has made an imported McClelland, Department of tant contribution to the revival of Employment, Steel House, Tothill its community by lending initially to home buyers and then to 273 4765.

In brief.

LARGE COMPANIES in Europe have taken relatively slowly to the idea of corporate venturing, whereby flexible links are created between large and small businesses for the development of new products and markets, but the technique is starting to find favour.

A two-day conference titled Venturing - the Corporate Devel-opment Tool for the 1990s will be held in Amsterdam, the Nether-lands, on October 20-21. The conierence fee is F12,127.50 (9600). Contact Venture Economics Ltd. 14 Barley Mow Passage, London W4 4PH. Tel 01 994 8009.

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Mixed views on a counselling initiative

Twenty-six per cent of the assignments carried out by the association's members in 1987 were for con-

panies employing fewer than 100 people while companies employing between 101 and 500 people (500 employees is the maximum level for eligibility for the initiative) accounted for a further 24 per cent. Some critics have questioned whether the tight financial limits the covernment has imposed on the

whether the tight intancial infirs the government has imposed on the scheme will mean it will attract the best people. With counsellors being paid £70 a day and consultants held to a maximum figure believed to be around £400 a day (though after sub-

sidy the small firm will pay much less) fears have been expressed that

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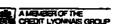
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available for small business is now so great that many small firms are confused by the breadth of choice. The 1988 version of National Westminster Bank's Official Sources of Finance and Assistance for Industry contains nearly 200 pages of information national and local schemes.

Included for the first time in the latest edition is a 120-page section on assistance for small funs available from more than 500 local councils. The book costs

£15 but the same information is available free of charge to Nat-West customers through the bank's in-house, computer-based enquiry system.

For copies of the book contact
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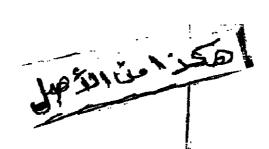
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APPOINTMENTS

Caradon new group managing director

Mr Tim Walker has been in Proposited group managing director of CARADON, manufacturer of building products, including Twyfords bathrooms, Mira showers and Everest double glazing. He takes over on June 30 from Mr Peter Jansen, who will be appointed deputy chairman and its management resourcing unit. appointed deputy chairman and will remain chief executive. Mr Walker, who was managing director of Redland's UK activities, UK and the Continent who aspire will have particular responsibility for the integration and expansion of Everest, the acquisition of acquisition. which was completed on June 9.

Mr Pierre Botsjoly has been appointed managing director of appointed managing director of CASTLEGATE SECURITIES, from Mr Bernard Peloux who has been appointed director of Euro-pean exports, based in Paris. Mr Boisjoly was managing director of Citroën Italy.

Dr John Parnaby has been lighting group.

TION OF PRODUCTION ENGI
LAWSON MARDON GROUP has NEERS from July 1. He is group director of manufacturing tech-nology at Lucas Industries.

Mr Bernard Goodall has been

THE DESIGN COUNCIL has appointed Mr Denald Midgley as head of business development, a new post. He was finance director

promoted Mr Hywel J. Houghton-Jones to director of group purchasing, he was group pur-



Wright has been appointed finan-cial director, custom moulding division, Fibrenyle. He was treasury manager, Europe. Mrs Susan Brush has been appointed company solicitor (Europe). She joins from the British Railways

ADPLAN INTERNATIONAL (U.K.). He was with St. James Corporate Communications.

Managing director of

Robert Napier has been appointed group managing director of REDLAND from July 1. He has been with the group since 1981 when he was appointed financial director. Recently he has been managing director of

SCANDINAVIAN BANK, Lon-don, has formed an international

CORRECTION Mr Alan Hindley has been appointed marketing director of TEKTRONIX UK, not managing

Redland

has been managing director of Redland's international

asset trading and syndication business under the direction of business under the direction of Mr Gary Caesar, executive director. He was with Bank of America's loan sales operation in New York. The bank says the team, containing a number of other members of Bank of America's original New York sales group, including Mr Phillipe L'Equilbec and Mr Mark Tousey, will operate out of London and New York, and should be well on stream. and should be well on stream before the end of the year.

CONTRACTS Offices at Luton

tional, to construct a 255,236 sq ft gramme for Ely Cathedral Phase-four-storey high-technology office II involves masonry and roof complex, with two storeys of repairs and the renewing of lead basement car parking. The complex - known as Century Plaza - Chapel at the east end of the is designed to accommodate Cathedral. The project will last 18 about 2 000 respite. Construction about 2,000 people. Construction months. tion in March 1990.

Peterborough's central library

Table 200 25

Carried and Argentin

on all side elevations. A central light-well and staircase will help create an open and bright envi-ronment. The library will be four times the size of the existing building. In addition to library facilities, there will be an enclosed exhibition area, a lec-CONDER PROJECTS OF WINCHESTER - part of the Conder pletion in Spring 1990. Rattee and Group - is undertaking a £17.5m Kett's restoration department has design and build contract near been awarded the second phase of the £4m restoration pro-

Scottish orders

RUSH & TOMPKINS has won Cambridge builders, RATTEE and KETT, East Anglian division of Mowlem Regional Construction, has been awarded contracts valued at £5m. Among them is a £2.9m order for Peterborough's new central library, designed by Peterborough Development Corporation. The project involves construction of a two-storey condensate worth over £3m in Scotland. The largest is the £1.62m fitting out of an ASDA superstore at The Avenue, Newton Mearns, south of Glasgow, where the company is also modernising the 1970's shopping centre. At Grangemouth, on the River Forth, the company is building a depalletism construction of a two-storey company is building a depalletism of a two-storey company is building a depalletism of the largest is the £1.62m fitting out of an ASDA superstore at The Avenue, Newton Mearns, south of Glasgow, where the company is also modernising the company is building a depalletism of the largest is the £1.62m fitting out of an ASDA superstore at The Avenue, Newton Mearns, south of Glasgow, where the company is also modernising the company is building a depalletism of the fitting out of an ASDA superstore at The Avenue, Newton Mearns, south of Glasgow, where the company is also modernising the company is shopping centre. At Grangemouth, on the River Forth, the company is building a depalletism of the fitting out of an ASDA superstore at The Avenue, Newton Mearns, south of Glasgow, where the company is also modernising the fitting out of an ASDA superstore at The Avenue, Newton Mearns, south of Glasgow, where the company is also modernising the fitting out of an ASDA superstore at The Avenue, Newton Mearns, south of Glasgow, where the company is also modernising the fitting out of an ASDA superstore at The Avenue, Newton Mearns, south of Glasgow, where the company is also modernising the fitting out of an ASDA superstore at The Avenue, Newton Mearns, south of Glasgow, where the company is also modernising the fitting out of an ASDA superstore at The Avenue, Newton Mearns, south of Glasgow, where the company is also mo

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Board Director seeks



There will still be a familiar appearance about a new office development in the City of London, as this artist's impression shows. At 16 Eastcheap the building on the site is to be demolished and replaced with a six-storey office block, with basement, but recreating the carved stone facade. Behind the facade the building, which is of reinforced concrete frame construction on bored pile foundations, will provide 40,000 sq metres of air-conditioned offices. TARMAC MANAGEMENT, Tarmac Construction's management contracting company, has started work on this £7.2m contract for Peachey Property Corporation. The contract is scheduled for completion at the end of 1989.

and equipment for handling, fill-ing and checking butane and pro-pane gas cylinders on a continu-tract includes plumbing and

new central library, designed by Peterborough Development Corporation. The project involves construction of a two-storey, concrete frame, brick-clad building with extensive panels of glazing

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> Exhibition times of opening: Thursday, 7 July 10.00-20.00 Friday, 8 July 10.00-20.00 Saturday, 9 July 10.00-18.00

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Speakers:	Sir Mark Weinberg, Gordon Pepper, Alan Kelly, John Patterson, John West, Michael Pilch, CRE		Speakers	The Rt Hon Cecil Parkinson, MP, John Forsyth, Barry Riley, Tony Vernon-Harcourt		Speakers:	Richard Lambert, David Battie, John Brennan, John Edwards, Anthony Mayer
14.00-17.15	PERSONAL FINANCIAL PLANNING AFTER THE 1988 BUDGET An overview of the income and capital changes in the most recent Lawson Budget and suggestions on the financial	□@£10.00=£	10.00-13.15 Speakers:	WORKSHOP FOR EXPATRIATES A special workshop on the requirements of men and women libing abroad. Better Contend Better Donna Davis	☐ @£10.00=£	14.00–1715	INTRODUCTION TO INVESTMENT The Stock Exchange and its three markets, until linked investments, high street developments and investor
Speakers:	and investment decisions that follow. Lord Bruce-Gardyne of Kirkden, David Stewart,		14.00-15.30	Peter Gartland, Peter Donne Davis, John Crittenden, Donald Elkin THE MACALIAN TASTING	□@£10.00=£	Speakers:	protection are among the subjects to be covered. John Edwards, Daniel O'Shea, Isa Morison, Colin Chapman
18.00-20.30	John Chown, Hugh Blakeway Webb, Alan Kelly PERSONAL PENSIONS	☐@£10.00=£	19.00-13.50	An informative and comprehensive nosing of The Macallan single mail whisky through its various vintages		14.3017.00	"HOW TO SPEND IT"
	A subject of immediate importance to men and women in employment as the new pensions regime takes effect in	_	Tutor: 14.00-17.15	Robin Lambie ALTERNATIVE INVESTMENTS	∏@£10.00=£		An afternoon with: Lucia van der Post (with a lot of help from Harrods) invest in yourself and how you look and feel. A team of
Speakers:	July: An authoritative panel looks at the risks and possible rewards of leaving employer-run schemes. Dryden Gilling-Smith, Maurice Oldfield, Robert Ashurst		11100-1117	An examination of areas of interest to collectors including discussions of market trends by Sotbeby's directors, chaired by one of the principal contributors to the BBC Antiques Road Show.			experts will be on band to bely you all, non and women alike, make the best of that most important person — yourself.
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FINANCIAL TIMES



The structure of the shipping industry is changing rapidly as cost pressures intensify the rush into

flags of convenience, and ownership becomes more complex. Regulation is also being internationalised, to the dismay of many owners.

Kevin Brown reports.

Searching for cost savings

THE WORLD shipping industry cial liberalisation in an era of is going through a period of significant change in structure and tion. upheaval caused by the develop-ment of container shipping in the

The root cause of the current upheaval is the long recession in shipping, which began in the early 1970s, and which has depressed returns in some sectors to the point where they do not

The search for cost savings, and for alternative ways of operating on tight margins, has caused serious strains between rival companies, between shipowners and their workforces, and between the industrialised nations of the north and the developing countries of the

But, as Prof. Arhljot Stromme Svendsen, of the Institute for Shipping Research in Bergen, has pointed out, the issues at stake are more fundamental than a simple attempt to make cost

The real problem facing the industry, identified by Prof. Svendsen at the recent fourth International Symposium on Liner Shipping, held in Hamburg, is coping with the strains caused

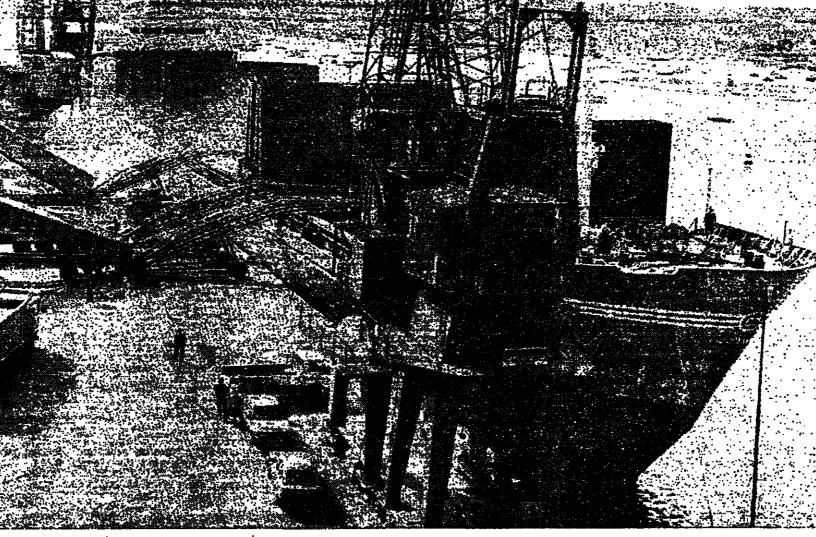
try is reflected in the growing importance of the "open" or "flag of convenience" shipping registers, which now cover more than 40 per cent of what is effectively a deregulated world fleet. Registration with an open reg-

ister can free owners from national restrictions on capital contractions, as well as saving them large sums in crew costs. The process of "flagging out," which was once fought tooth and nail by the maritime trade

unions, and criticised at the United Nations, has now reached the point where it has become institutionalised, and is probably For example, all the leading open registers are now registered

under the UN Convention on Conditions for Registration of Ships, an instrument which many seafaring nations had hoped would close them down.

The result has been a sea change in the attitude of the international shipping commu-nity towards open registers, and moves by the traditional mari-time countries to maintain a flag



Shipping and Ports

up their own "offshore" registers. These registers essentially operate as covert "flag of convenience" registers, offering shippowners a large degree of free dom from national regulations, West Germany. Denmark and stands only fourth in the league together with cost savings, while retaining the prestige of a tradi-

The International Shipping Federation, the main international forum for shipowners from all sectors of the industry, esti-mates that there are now more than 20 open registers, which it panies, ownership remains rela-

 Independent registers, such as Liberia, Panama, Cyprus, the Bahamas, Malta, Singapore, Sri Lanka and Vanuatu;

elsewhere.
This move away from strict national control of shipping, which has taken place largely in the last decade, has been accompanied by an increasingly com-In the case of the largest com-

tively transparent. But among smaller companies, the registered owner may be only a front for a series of companies set up to hide the ultimate owner. Ships can ● Dependent registers, mostly also be leased, managed by one attached to the UK, such as Hong shipping company on behalf of Kong, Bermuda and the Cayman another, or chartered on various

The extent to which registralink with their fleets by setting the Isle of Man for UK shipown- tion has ceased to reflect owner-

ers, Kerguelen for France, the ship is indicated by the findings Antilles islands for The Nether- of a recent investigation by

The effect of this process is that ownership, like registration, is being internationalised, which makes companies less easily controlled by national governments. However, as the industry slips

away from the governments which have traditionally expected to control it, the regulatory mantle is being picked up by an increasing number of international organisations.

Shipping has been a more-or-less regulated industry since 1888, when British lines trading to India formed the Calcutta Conference to regulate sailing frequencies and freight rates on an important imperial trade route.

Over the last century, the con-ference system has become establiner routes - where companies offer regular scheduled services though it has never been extended to the tramp section of the industry, which covers most

tankers and dry bulk carriers. The system is regarded by most shipowners as a means of avoiding anarchy and destructive competition, though many of their customers see it as little more than an excuse for rate-fix-

From the shipowners point of view, the key advantage of the conference system was that it was largely self-regulating, which meant that governments stayed out of trading matters. Like much else in shipping, that situa-tion appears to be changing. The new regulatory climate in

mentation in 1983 of a Code of Conduct for liner conferences drawn up by the United Nations Committee on Trade and Devel-

The Unctad code emerged to cope with pressure from Third World countries for control of their foreign trade, which some attempted to enforce by reserving cargoes for their own ships.

The solution developed under the code has been to allocate 40 per cent of bilateral trade with developing countries to the relevant national line, 40 per cent to lines operating through the relevant conference, and 20 per cent countries.

This compromise has always been unpopular with both the Western companies, which regard many of the national lines as unfair competitors, and the shipping began with the imple-

CONTENTS

Baltic Exchange Profile: Boulogne

either the US or Japan.

Many of the developing countries, on the other hand, continue to regard the conference system

with suspicion.

The tensions were exemplified in a recent speech by Chief Ray-mond Dokpesi, head of Africa Ocean Lines, of Nigeria, who pointed out that many developing countries regarded the estab-lished order of world shipping as a hangover from the colonial era.

The code has also come under more direct pressures, notably from the establishment of so-called freight bureaux in some countries, which are accused by Western companies of distorting trade by allocating cargoes

between lines. Even greater strains have been exerted on the system by a big increase in the number of independent lines operating outside the conference system, which now lift more than 50 per cent of cargoes in some trades.

The conclusion drawn from this by Western shipowners is that, in the words of Mr Karl-Heinz Sager, chairman of West Germany's Senator Linie, the code has become "an empty shell" and should be scrapped.

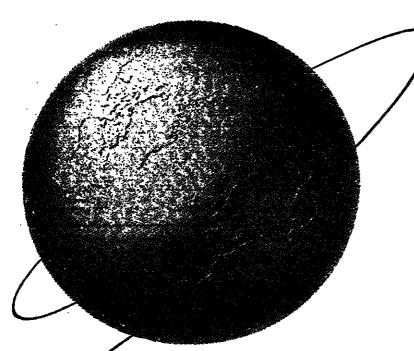
In fact, however, the opposite is likely to happen. Mr Abderrah-mane Bouayad, director of Unctad's shipping division, concedes that the 40:40:30 arrangement is being undermined by the growth of outsiders, but concludes that the code should be strengthened rather than scrapped.

Mr Bouayad says the new conditions mean that major outsiders "can no longer be dismissed as having no obligation to the trade," and should be brought within its scope.

This issue will be debated at an Unctad Review Conference in Geneva later this year, when the developing countries will also press for the code to be extended to cover bulk shipping - a devel-opment which is regarded with horror by the owners of most of the world's tanker and dry cargo

What worries many shipowners is that Unctad is not alone in seeking to regulate shipping. both the US and the European Community have developed Continued on page 4





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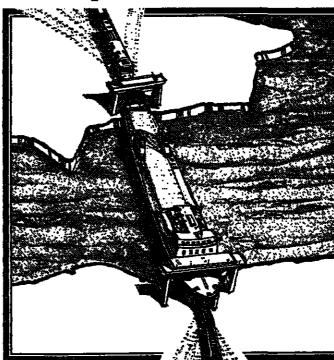
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The port of Singapore has plans to become world leader in container transhipment and is from rival ports Hong Kong, Kaohslung and Yokohama, in the all-important trans-Pacific con-

The total number of containers handled at Singapore during 1987 was 2.6m, 20 per cent up on 1986, which puts Singapore fourth in the league after Rotterdam, Hong

Kong and Kaohsiung.

Anticipating further increases, the Port of Singapore Authority is building a new container ter-minal on the island of Paulau Brani, which facility is expected to enjoy an annual 3m TEU (Trailer Equivalent Unit)

Paulau Brani will have four main container berths, five con-tainer feeder berths and be backed by 71 hectares of container storage area. A causeway will link the facility with the soon to be completed Tanjong Pagar container terminal which has nine new container berths and two feeder berths, further strengthening Singapore's posi-

Not to be easily overtaken, the Port of Hong Kong has launched a Port and Airport Development Strategy project to decide how much should be invested in both the sea port and airport up to the

year 2011. The study will encompass the possibility of expanding the port on reclaimed land to the east of Lantau Island. Not only must Hong Kong cope with its position as a world trade centre, entrepot and transhipment port, but it must take account of massive expansion in the economy of the People's Republic of China.

In Europe, it is apparent that the port of Rotterdam intends to fight off any attempt by Singapore to displace its position in the world container handling league. Facilities are being improved at Waalhaven and Eemhaven, which between them account for 60 per cent of all containers passing through the port. Rotterdam Port Authority has

a plan to designate a special internal container transport route to and from a goods distribution centre to be developed south of Eemhaven. This will

FIERCE competition in con- enable traffic to move unhin-tainer, intermodal and bulk traf- dered to Eembaven/Waalhaven. sion to retain its container operations in the Europe Container Terminus within the port.

Fundamental modernisation of port facilities and associated infrastructure is being carried out widely in the Soviet Union, the Indian sub-Continent, and countries which are potential new members of the EC. The Soviet Union is improving a dozen ports in the Baltic, the Black Sea and the Far East.

Far-reaching reconstruction work will be carried out in Leningrad, Klaipeda, Tallin, livchevsk, Yuzhny, Vostochny and Vladivostock. New container terminals have already been completed at Leningrad, Riga, Tallin, Odessa and Vostochny.

Not least of the improvements has been the installation of computerised document handling, information and traffic-monitoring systems to make the Soviet trading position more competi-

On the Indian sub-Continent, the Indian Surface Transport Ministry is asking for a 70 per cent increase in its US\$807m budget to fund a five-year port expansion programme. The work includes deepening the ports of Paradip, Madras, Visakhapatnam and Marmagoa. Additionally, a satellite port will be built at

Ennore, near Madras.
Once again, the need to meet dern trading conditions, in India's case, the loading of shins lifting Japan-bound iron ore from Madras and Visakhapatnam, is a

prime motive. Also noticeable has been the tendency of interested parties to fund port developments. In the case of Paradip, South Korea is helping with funds and Japan is assisting financially in the Visak-

hapatnam development.

Japan too is making development funds available for port modernisation in various Third World locations: and money from Europe is helping to develop the Mozambique port of Beira as an alternative to the use of South African ports for the "Front Line" states.

World Bank finance has been of crucial importance in Turkey's before entering the EC. The provision of modern container facilities is a major part of Turkey's

port development. In the Philippines, the Asian

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represents most of the UK's 100 or so ports and harbours, the last 12 months have held mixed fortimes.
The federation (formerly the British Ports Association) has

\$43.5m to fund the \$86.7m Second Manilla Port Project in which the

new berths are to be built on the Yangtze River estuary as well as

128.3m tonnes. Other ports in

China are to be developed · for the export of coal, where China

has ambitions of ousting Austra-lia as the major supplier in the

The anticinated steam-coal

demand of the 1990s is causing

port development projects to be started in the UK at Hartlepool

Docks, Fawley Water and Sea-

ing Netherland dry bulk cargo stevedore Frans Swarttouw relo-

cate its new high-volume coal ter-minal at Maasvlakte in anticipa-

tion of more coal being imported into Europe in the 1990s.

The Port of Rotterdam fore-

casts that the port will handle 15m tonnes of steam coal in 1990,

and 30m tonnes by the year 2010.

cruise business has caused ports

in many parts of the world to

introduce or improve cruise-ship facilities. The world leader in this context is Miami, through which 2.6m passengers passed in 1987. Miami's eleventh and twelfth pas-

senger terminals are under con-struction and the Seaport Depart-

ment has recently approved bids

to build a bridge linking the island port to downtown Miami.

The Port of London Authority

has been asked to provide up-river facilities in addition to its

Tilbury passenger terminal, and

Southampton has refurbished its

The Port of Singapore Author-

ity also intends to gain from the expanding cruise market and

recently announced plans to pro-mote the island as a fly/cruise centre. The authority is to invest

\$27.5m in the project, the full

designs of which have yet to be

Ocean Terminal.

Continued expansion of the

systems installed.

had some success in promoting the idea that changes are neces-sary in the complex framework of port ownership.

An approach from officials of

be rehabilitated and new cargo gear, bulk handling systems and management and information China's emergence into the modern world economy is generating the need for much modernipromote efficiency.

But the federation has been sation in that country's ports, and at Shanghai more than 60

less successful in campaigning Scheme, the 40-year-old regula-tions which control employment

on the East China Sea.

This will give Shanghai an extra 70m tonnes capacity over and above the 1986 cargo total of in many ports.

Sir Frederic Bolton, chairman of the BPF, undertook recently to continue the fight against the "archaic" scheme, but there appears to be little hope of substantial reform in the short term.

> competitors. However, both these issues are under review - by the UK govern-ment and the European Commission respectively - and both may return to the forefront of events in the coming year.

tion, the trade association which

North and South harbours are to the federation prompted Mr Paul Channon, Transport Secretary, to raise the prospect of radical change in the industry, including a measure of privatisation, to

There appears, also, to have been little progress on a number of other fronts which are regarded by the federation as vital, including the cost of navi-gational aids and the issue of "unfair" subsidies to Continental

Mr Channon's announcement that all of Britain's 74 publicly-owned ports were *prima facle* candidates for privatisation was

THE CALIFORNIAN port of Oak

land is situated on the booming

US West Coast, mid-way between

the major ports of Seattle-Ta-coma, Los Angeles-Long Beach

Oakland is situated on the

Pacific Rim, that area of pheno-

nenol growth which is expected

to become the seat of economic

As if this were not advantage

year 2000, and that of the Bay

power in the next century.

UK ports

Seeking more change

delivered, appropriately, to several hundred ports officials at the BPF's annual lunch in London. Making no hones about his preferred method of improving efficiency, Mr Channon said it was "high time" that the public sector of the industry took a close look at the benefits of privatisation. Mr Channon did not spell out The lederation says the come effectively preparing the way for plex legislation which governs individual privatisations.

Transport Department officials point to the improvement in the fortunes of Associated British Ports, formerly the British Transport Docks Board, since its priva-

Sir Keith Stuart, chairman of ABP and one of the prime archi-tects of privatisation, has emerged as an important propont of structural change in the industry, partly because of his willingness to speak out about distortions caused by subsidies.

This point was rammed home when Sir Keith withdrew ABP, which controls a quarter of UK port capacity, from the federation in protest at its reluctance to cri-ticise financial support for the older ports of London and Liver-

by one or more individual Acts of early stage.

Parliament; the 32 municipal. The Government is thought ports, run by local authorities; more-likely to encourage individ-

these ports prevents some of what the benefits might be, but them from competing effectively. Transport Denartment officials with the 40 privately-owned ports, including the 19 run by ABP.

The Government believes privatisation would be particularly suitable for the larger ports, such as London and Dover, the UK's higgest roll on roll off port.

Channon said.

A debate on the privatisation issue is raging within the ports industry, but it has become clear that there would be substantial opposition to any attempt by the Government to force change on any authority which was unwill-

and the state-owned ports of all trust ports to use the paria-gloucester and Sharpness, run by the British Waterways Board.

The Iederation same the property of their own lagislation

There is disappointment within the industry, however, that the Government appears to have ruled out a comprehensive Hill to relax the existing controls on

fund raising and restrictions on non-port activities.

Ministers believe it would be wrong for trust ports to take on niggest roll-on roll-off port.

Privatisation could be an option for smaller ports if they wished to pursue it, but "different conditions" might apply, Mr Channon said.

No potential purchasers of trust ports have yet come for-ward, though ABP has indicated that it might be in the market for profitable acquisitions. Sea Containers, the other major private port operator, has opted to remain in the ports busi-

ness, after earlier planning to sell some of its ports, but has not pool.

Officials say, however, that the some of its ports, but has not campaign for structural change is although ministerial thinking on acquisitions.

Among municipal ports, Boston, the small Lincolnshire port, has been put up for sale by the borough council, and is likely to become the first of the new wave

of privatisations.

Meanwhile, Conservative MPs have undertaken to maintain a campaign against the Dock

Labour Scheme, in spite of the defeat last month of a Backbench Bill providing for its abolition. The scheme, which guarantees employment to dockers in 50 registered ports, was originally designed to end casual labour in the docks, and provide perma-

nent employment for dock work-Most port operators, both public and private, believe abolition of the scheme would improve flexibility and efficiency in the docks, though few would like to see a return to casual labour. But the Government appears reluctant to risk the trade union anger which would explode if it attempted to abolish the scheme,

and has opted to allow it to "wither on the vine." Port operators say this is not an option, however, because workforces in many ports have been reduced as far as possible, which means that when new dockers are required they will

have to be recruited under the tinue with a further Commons debate, increased lobbying of Ministers and a pamphlet point-ing out the alleged iniquities of the scheme. In addition, more than 200 backbench Conservatives have signed a Commons motion calling for abolition.

to using a ship sailing to the east-ern seaboard via the Panama Canal.

Known as the "Mini-bridge"

Kevin Brown

Profile: Oakland

Strategically placed

coma, Los Angeles-Long Beach and San Francisco. Oakland's middle position, both strategically and geographically, is a key factor in its future and the Spur Area by 13 per cent, to total which has caused the Oakland 6.20m over the same period.

Oakland offers 19 miles (30.60 over suthority to modernise energy) ities have been improved, joint francisco Bay, with more than item have been improved, joint francisco Bay, with more than venture programmes entered into 550 acres (222 hectares) of termiwith rail carriers and the port's nal facilities and 28 deepwater berths. Of these, 19 serve conbreakbulk and roll-on decisions in the world of ocean roll-off ships.

It is the largest container port on the North American Pacific Coast in terms of physical size. Its annual container traffic of 960,000 ranks it among the top ports of the world.

Extensive container facilities enough, the US population west and superior rail and road links of the Rocky Mountains is expected to increase 45 per cent by the for intermodal shipments to and from the 200m-plus American consumers who live beyond the Rocky Mountains. Investments intended to

improve the port's infrastructure include the development of a new 138-acre container terminal on land leased from the US Navy, the purchase of three container cranes, and the expansion and redevelopment of the outer harbour container terminals. Traditionally, Oakland has

enjoyed a strong export traffic with the result that many carriof call. Carriers generally unload intermodal cargo at the first port regarded as time sensitive.

breakbulk terminals including

of call because such freight is Oakland: an important gateway for Are

land's modernisation and market- ers and ro-ro traffic in addition to the inner harbour channel ing. American President Lines is breakbulk.

considering the port as an initial Container traffic is the main-

point of entry and the port stay of the port's business, which authority is seeking also to is not surprising since Oakland attract Taiwan's Evergreen was the first US West Coast port was the first of west coast port.

Lines.

The latter currently uses San tion. There are plans to facilitate Transisco under a contract which is due to expire in early 1989.

Was the first of west coast port.

Cargo destined for the US East

Coast population is commonly unloads Subaru cars in Oakland and then shipped by rail when the prize three years in successions. Oakland features eight full bour channels to 32ft and 42ft across the country with contain-container terminals and two respectively.

Both channels will also be wid- This saves eight days compared

this route now accounts for \$3.5 per cent of all traffic emanating from the Pacific Rim and bound for the US East Coast. There are 200m Americans liv ing east of the Rocky Mountains whose cargo could be loaded in the Bay Area. Oakland wants to secure at least 30 per cent of this Competition for intermodal traffic is very intense on the West Coast, and crucial to Oak-land's plans to capture more traffic and develop an Intermodal Container Transfer Facility (ICTF), is the port authority's joint venture with American President Lines and the Union Pacific Railroad. The scheme envisages the

enlargement of 15 railway tunnels running through the Sierra Mountains so that double-stacked trains carrying high-cube. Each partner in the project is

pledged to invest \$5m and Oak-land is forging closer links with other rail roads which will also invest money on improving facilities within the port. Oakland is a port used by the Japanese motor. manufacturer Subaru for the import of its vehicles into the US.

The port's success in this highly-competitive field is due to the care and efficiency of the ILWU longshoremen who maintain a good record of low cargo damage. Subaru also discharges cars at Los Angeles, Portiand, Baltimore, Boston and Jacksonville.

The Japanese car shipper pits the ports and their longshoremen one against the other in a quality However, spurred on by Oak- one that accommodates contain- ened and the turning circle for control competition. As a result few cars are damaged and in enlarged, all of which, combined need of attention following their with a \$100m investment prowinning gang receives a plaque and a night out at the company's

expense.

Pasha Maritime Services

Pasha Maritime Oakland

Barrie Stevens

Dry cargo

Mixed prospects for rates

FOR A WHILE, up to the end of March, it looked as though the good times were beginning to return for shipowners in the dry of the market with the stantial fall in the level of scrapforeast to increase by 10m tons to 1,390m tons.

If anything, it is possible that the stantial to the stantial fall in the level of scrapfore sta

The story is reflected in the Baltic Freight Index, which rose from 554 at the beginning of 1988 to break the 1,000 barrier in August of that year, and peaked at 1,625 on March 23 - reflecting the highest freight rates since

height, rates were only about half what the level required to justify investment in replacement ton-

The crash came in April, when the index slumped 400 points, able finctuations in the price of recovering to 1,500 in mid-May oil.

There is little comfort in the trend, and falling to not far above forecasts for world seaborne

1,200 by mid-June.

The question facing the market now is whether the slump is a temporary correction, or whether rates are heading inexorably back towards the dismal levels of the early 1980s.

trade, which depends greatly for upward movement on demand, or the perception of likely demand from Soviet and Chinese charter- rise of 5m tons to 185m tons in

The indications for the longer term remain mixed. For example, second hand prices have risen expected in the "other" trades, strongly, indicating increased such as hauxite, phosphates, and confidence on the part of owners, commodities such as steel materi-

However, only 5m deadweight tonnes is due for delivery this year, so that the overall increase in the trading fleet, and the corresponding rise in theoretical over-capacity, will be small.

There is also a question mark over the amount of combination

tonnage which may be switche For both brokers and owners it from the dry cargo market, was a period of increasing confidence, tempered only by the knowledge that, even at their into the tanker market. This element of the equation depends on the balance of supply

and demand in the tanker sector, which is itself difficult to forecast, partly because of unpredicttrade, which is expected to grow by only 0.8 per cent this year, according to the latest estimates from the International Associa-

tion of Dry Cargo Shipowners (Intercargo). the early 1980s.

In the short term, rates remain duced by Fearnley's, the Norwevolatile, particularly in the grain a standstill in the coal trade, an increase of just 3m tons to 323m tons in iron ore cargoes, and a

> grain shipments The bulk of the forecast improvement, small as it is, is

gramme, will benefit the pro-

posed new 38-acre container ter-minal at Seventh Street.

If anything, it is possible that these forecasts could be optimistic, since falling oil prices could demand for iron ore. The grain have serious implications for trades remain inherently volatile. long-term confidence.

agree that the health of the mar-ket depends more on avoiding worsening over-capacity than on the underlying level of demand. The good news here is that weaken steam coal demand, and substantial new tonnage is growth in Japanese and Euro-unlikely to enter the market pean steel production appears to before 1990-91, though an have slowed, which could reduce increased level of ordering could

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SHIPPING AND PORTS 3

TWO ISSUES have dominated the UK ferry industry over the last year: the continuing debate over safety in the wake of the Zee-brugge disaster in March 1986; and the five-month dispute between the National Union of Seamen and P&O.

In the eyes of many observers, including the union and relatives of some of the 193 victims of the Herald of Free Enterprise capsize, the two issues are inextricably

On this view, the manning cuts demanded by P&O are a response to the same competitive pres-sures which caused the Herald's crew to sail from Zeebrugge with the ship's bow doors open.

The only difference, according to the union, is that P&O is now under even greater pressure to improve profitability because of the construction of the Channe Tunnel, due to open in 1993, which will undoubtedly peach a large share of the existing ferry

Both the Government and the ferry owners have resisted sug-gestions that safety is in any way gestions that salery is in any way threatened by commercial pres-

But this was not the view of the public inquiry into the Zee-brugge disaster, chaired by Mr-Justice Sheen, which noted that ships' officers were under presships' officers were under pres-sure to sail earlier than the the ship without intervening appointed times, and were bulkheads. tempted to cut corners.

have expressed concern over the basic design of roll-on roll-off fer-to develop a heavy list, and even-ries like the Herald, which is dic-tually capsize. tated solely by the demands of commercial viability.

Essentially, the problem is that vehicle ferries are viable only if the water which caused the list they can carry large numbers of reached the car deck only vehicles, and can be leaded and unloaded easily and quickly. were left open.

The Zeebrugge ferry disaster raises vital issues

Commercial pressures behind ro-ro safety

World's	top 12	the grounds that the UK is mov- ing faster than the International				
	(by to	Maritime Organisation, the				
		Gross Tonnage		Non Ro-r Ferries		United Nations agency responsi- ble for safety at sea. For example, the International
P & O/European Ferries	UK	190,475	20	0	20	Chamber of Shipping, which rep-
Danish State Railways	Denmark	163,129	30	0	30	resents the owners of more than
Tirrenia di Navagazione	italy	160,799	27	2	29	half the world's tonnage, has pro-
Viking Line	Şw/Fin	151,175	10	0	10	tested strongly against the Gov-
British Columbia Ferry	Canada	119,855	21	0	21	ernment's unilateral action.
Stene Lines Sitle Line	Sweden	116,426	8	Õ	8	which differs in several points
Kurushima Dockyard	Japan	101.481	10	1	11	from new regulations recently
Marine Atlantic	Canada	98,726	- 9	ä	12	approved by the IMO.
DFDS	Derumark	97,821	9 9 22	ŏ		Undeterred by this, the Gov-
Sealink	UK	93,792	22	ĭ	23	ernment has pushed ahead with
North See Ferries	UK/Neth	89,473	5	ċ	5	the changes, together with a com-
Source: Financial Times Business	Information				-	prehensive maritime Bill which

The solution developed since ro-ro ferries first appeared in the involved in this has allowed the 1950s has been to provide one or more car decks, accessible through large doors in the hull,

This means that neither space More fundamentally, several nor time is wasted; but it also also stuck rigidly to the position naval architects and a number of means that comparatively small that ro-ro ships are safe as long responsible professional bodies quantities of water entering the as they are operated properly. vehicle decks can cause the ship

tually capsize.

This problem, called the free surface effect, was what caused the Herald to capsize, although

The element of crew failure ferry companies - particularly P&O - to claim that the disaster

The Transport Department has Consequently, regulations improved since the disaster have concentrated on operational improvements, such as the use of closed-circuit television, boarding cards, loading computers, weighbridges, and emergency warning lights linked to sea doors. There has been some criticism

rnment has pushed ahead with he changes, together with a com-rehensive maritime Bill which makes managers of ferries legally responsible for their operation plugging a gap in the law exposed by the Zeebrugge inci-The Department is also likely to require about 30 ferries built

line with later stability stan-dards, although no decision has yet been reached. Shipowners have complained that some of the requirements being introduced by the Government are unnecessary, and that their costs are being raised above those of Continental competitors who are not bound by the same

But the cost of the improvements would be small; about £250,000 to update the pre-1980 ships, for example. of the Government over this, on What really worries the shi-

powners is the prospect of unilat powners is the prospect of unitar-eral British action on design changes. The case made by the owners, represented by the Gen-eral Council of British Shipping, is that passengers would not be prepared to pay significant extra fares in exchange for more safe-guards against the unlikely event

They say the only practical way to keep British ferry owners in business in such circumstances is to ban foreign vessels from entering British ports, possibly in contravention of Euro-pean Community and interna-

For example, the International hamber of Shipping, which rep-esents the owners of more than The Government, recognising the strength of feeling on the issue, and the importance of has set up an independent research programme into design and stability, which is expected to report in three years' time.

But this is not good enough for some experts, many of whom say action is required urgently if another major disaster is to be

The most significant criticism came two months ago from the Royal Institution of Naval Architects, the professional body for British ship designers, which says ro-ros are "unacceptably vulnerable" to rapid capsize, particularly after a collision. before 1980 to be brought into

The institution, in a report, says it accepts that few such accidents have occurred, but warns that "a single accident to this type of vessel can lead to catastrophic loss of life, and the risk of such a consequence is too

It describes the operating improvements introduced by the DoT as welcome but short-term, and claims the Government has not dealt with the dangers of Belfast vehicle deck flooding, and the difficulties of evacuating thousands

of passengers in a short time.

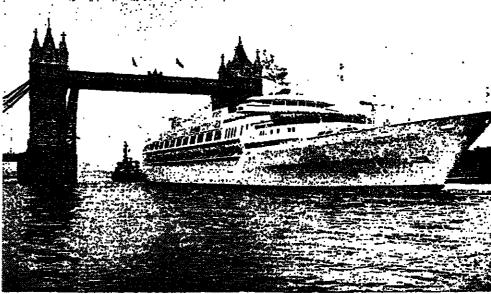
The institution says technical solutions to the problems of rapid capsize are available, and should be adopted immediately. It urges shipowners to fit moveable transverse bulkheads,

or longitudinal bulkheads, to pre-vent free surface effect, and for wing tanks and bouyant material to be added to hulls to improve

The Nautical Institute, the professional body for master mari ners, also says some ro-ro vessels are inherently vulnerable to capsize following a collision, and has called for immediate action to increase the safety of all ships visiting UK ports.

The Government shows little sign of acting on these recommendations, however. Ministers say only that they will be studied carefully and taken into account

More and bigger vessels are being planned



The 12,200-ton Ocean Princess, flagship of Ocean Cruise Lines, berths in the Pool of London,

Cruise ships ordered

EVENTS IN the crulse market two ships for Holland America which consistent growth is fore-took an unexpected turn earlier Line, which operates from the cast throughout the 1990s. Strong growth is also being announcement of an ambitious \$500m (£282m) plan to build the world's largest cruise ship.

The plan, codenamed Ultimate Dream, depends on the availability of subsidies of about £70m from the UK Government so that the vessel can be built at the Belfast shipyard of Harland and

However, it may remain little more than a dream if the initial reactions from Ministers and officials stay lukewarm. But whatever its fate, the Tik-

koo project illustrates the confidence in the future of this sector of the shipping industry which seems to be welling up on almost all sides.

The most obvious sign is a spate of plans for new ships, ncluding a second possible contract for Harland and Wolff from a group of UK businessmen calling themselves the Institute for Production Control.

Outside the UK, Kloster Cruise controller of Royal Viking Line and Norwegian Caribbean Line - studies have indicated that the has drawn up plans for an even number of US citizens who have bigger ship, code-named Phoenix, taken a cruise is only a fraction which may be built in Japan.

Other major orders include three ships of 70,000 gross tonnes for Carnival Cruise Lines - the

In addition, P&O is rumoured to be considering a new ship. Cunard is known to be assessing its market options, and Royal Caribbean Cruise Lines is considering a sister ship for the 73,000 gross tons Sovereign of the Seas. RCCL recently announced a preliminary agreement to com-

bine under a new holding com-pany with Admiral Cruises, a deal which will create a fleet of eight ships with over 9,000 erths. This is set to change, however, Shipping analysts have long in the light of an official Japaberths. predicted a degree of rationalisa-

is still to early to judge whether this is the beginning of a major reconstruction, or simply a precient business arrangement. Interestingly, the three compa-The background to all this nies which have decided to take scient business arrangement year catered for about 2.3m peo-

ple, and which is growing at about 12 per cent a year. About 80 per cent of the passengers carried last year were Americans, and a number of of those who would like to.

This apparently almost untapped market is the driving force market, although MOL appears behind the rapid expansion of the to be planning to operate signifiworld's biggest cruise operator - industry, as operators seek to cantly downmarket of Showa, from Wartsila of Finland, and establish a niche in a sector in

forecast in the Japanese market, which is currently extremely small less than 118,000 passengers last year - despite the increasing economic strength of

The Japanese traditionally have been reluctant to take holidays, and in any case have been largely unwilling to travel on Western ships in the absence of vessels owned and crewed by

nese government attempt to tion in the cruise industry, but it boost overseas travel by about 30 per cent by 1991, and the entry of several Japanese shipping lines into the cruise market.

activity is an industry which last the plunge take very different views of the prospects for Japa-nese cruise shipping.

NYK, which will have a ship in operation from 1990, plans to concentrate on American customers seeking cruises in the Japan Sea, South Pacific and in Alaskan waters.

Its two competitors, Mitsui OSK and Showa Line, both plan to concentrate on the Japanese market, although MOL appears

Container shipping services are in intense competition

Rivals fight for Atlantic

FOR MUCH of this year the attention of the liner sector - principally container ships offerto be concentrated on the frag-mented North Atlantic market. Both rival shipping lines and have their eyes on four major

• Dart Confainerline's decision to leave the North Europe Atlantic Conference (NEAC), to bid for increased market share outside the established freight

 The entry into the market of Maersk, the big Danish operator. offering an express westbound service, also outside the confer-

an intermodal approach, under which the ocean voyage is regarded as just one leg of a

Eurocorde, between NEAC and vice, and they are more suited to the non-conference lines Polish the shorter trip across the Atlan-

door-to-door delivery process whole intermodal delivery time, involving road and rail vehicles the service quality and the cost," as well as ships.

However, the Maersk express at largest a changing the cost of the cost of

sceaming at 24 knots, and offers Sir Kerry, who says the Sea an ocean crossing up to four days quicker than that offered by the Sea Land consortium, whose Says the market is not "speed level of 1979 on the eastbound says the market is not "speed says of 1979 on the eastbound says the market is not "speed says of 1979 on the eastbound says the says the market is not "speed says of 1979 on the eastbound says the says the says of 1979 on the eastbound says the says of 1979 on the Pacific, rates continue at dismally low levels - below the says the says of 1979 on the eastbound says of 1979 on 1979 on the eastbound says of 1979 on 1979 on the eastbound says of 1979 on 197 ated by Sea Land of the US, P&O
of the UK and Nedfloyd of The
Netherlands, using the 12 Econ
class ships which caused US
Lines to go out of business;

An inquiry by the Commissize of the European Commissions of the European

sion of the European Community proved too big and too slow for avoid a rates war, although the

cheaply in distress sales.

"Maersk are obviously good operators, but they are well managed and just as interested in the bottom line results as everyone else," Sir Kerry says. "So we are not expecting their competition to be by way of rate cuts, but

Elsewhere, most shipowners say the Europe to Far East trade is "reasonable," although the Australian trade has weakened of the local economies · a particular problem for P&O, which has

Profile: Felixstowe

Among top container ports

throughput of more than Im 20st legal limits.
TEU (Trailer Equivalent Unit) Feliystow.

containers.

This achievement is due mainly to a full year of operations at the Trinity Terminal which is now established as one of Europe's leading container facilities, putting Felixstowe among the top five European ports.

While Felixstowe is the first UK port to reach the magic figure of 1m TEU, it is having a hard

ing, to the hijacking of trailers, still faces competition from Conshortages of trained staff and a timental ports such as Rotterdam, seemingly non-stop changing of Antwerp and Zeebrugge, all of

time with the problems stemming from its very success.

These range from congestion,
especially severe when high
winds stop the cranes from workwinds stop the cranes from workwinds to the highlight of trailors.

telephone numbers.

Work has started on a 72-metre government-funded expansion.

extension of Trinity Terminal to help ease the chronic space short-

LAST YEAR was a milestone in age, but no real improvement the continuing development of will come about until the Felixtone and if the latter fails men, Ashdod and Haifa every 21 to maintain expansion and modern according British port of Felixtone and Railway Company undertakes development towards transhipping deep-sea operation using the 215 TEU stowe, in cast angua.

It was in 1987 that the port work as permitted by the recent became part of the P&O Group parliamentary Private Bill and for the first time recorded a designed to extend the port's throughput of more than 1m 200 lacel limits. This in turn would raise the costs of British exporters who

Felixstowe's Trinity Terminal was opened in 1886 at a cost of to the Continent for onward ship-£40m, but so rapid has been the ment by deep-sea shipping lines. port's expansion that the com-pany intends to use the powers contained in its print bill to effec-tively build an extended Trinity Terminal. Plans are now being drawn up under which the terminal's quay length will be extended by 300 metres and about



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Maersk and the Sea Land consor- ter Maersk service, though both tium, which are approaching the Sir Kerry St Johnstone, chairman market from very different of P&OCL, the container arm of p&O, and Mr Henk Rootliep, Both stress the importance of chairman of Nedlloyd, say they

service uses ships capable of Atlantic is always a changing steaming at 24 knots, and offers

aiwan. It is not clear how the consor-tium proposes to combat the fasaim to make up the time on the US land leg.

"What really matters is the

would have to ferry their goods

On the commercial front, Felixstowe has again become a port of call for the "motherships" of the carrier Sea Land, which is mak-

ing use of the Trinity Terminal on its feeder service linked to

bankers of the collapsed United States Lines, each of the nine

Much of the trade to and from the Irish Republic now passes through Felixstowe. Relatively small feeder ships berth close to

deep-sea ships in the Trinity Ter-

minal and collect containers for Dublin and Cork.

ships Dublin-brewed Guinness through Felixstowe in container-

ised kegs. Another important customer at

Another important Felixstowe-

northern Europe and Israel. It serves Felixstowe, Flushing, Bre-

Line, runs between Felixstowe, growth.

ships lifts 3,400 to 4,458 TEU.

through service."

20 per cent of the trade.

continue to make losses. This includes the big six Japanese lines, which recently announced almost uniformly bad results.

dle East and Far East is doubling

its calls at Felixstowe to one per

Felixstowe has also been some-thing of a pioneer in the field of

EDl (Electronic Data Interchange). Felixstowe's particular system is known as FCP 80 and is

a computerised customs clear-

Acquired by Sea-Land from the tains an inventory control which

Irish importers regard the port as best suited to their needs as it port and Mr Paul Briginshaw,

is the first inwards port of call for deep-sea carriers. Dublin agent, James Scott & Co reports handling 50,000 TEU during 1987, which is 40 per cent more than system into full effect.

Felixstowe also handles a lot of Irish exports such as glass and dairy produce; the carrier is Bugsaler Line. The same company and Harwich port communities through a company known as Maritime Company known as

ised kegs.

Another important customer at Felixstowe is the Maersk Line, which in early spring this year began a new North America service operating a ship lifting 3,600 TEU. At 294 metres long, this was the higgest ship so far to dock at the port.

Felixstowe Dock and Railway Company and last year handled 470,000 import entries. The system earned a £2m profit last year and the profit for 1988 is expected to be £2.5m.

One of Felixstowe's strengths is that it is not a part of the Dock Labour Scheme and has good industrial relations with the 1 sec.

Spring 1987 saw Maersk inaugurate a Felixstowe-Rotterdam feeder service using the vessel Maersk Tempo which berths at the Trinity Terminal three times a week and links with Maersk's Far East services.

Another important Felixstowe
Labour Scheme and has good industrial relations with the 1,855 dockworkers, many of whom enjoy an average pay of £16,500 to £17,000 a year.

Felixstowe made a profit of slightly more than £9m for the year 1987 and with freight traffic booming and peaceful industrial relations with the 1,855 dockworkers, many of whom enjoy and average pay of £16,500 to £17,000 a year.

based operation, operated by relations assured, seems well British Continental Shipping able to maintain its recent

Now in its second phase, it con-

creates a computer file and manifest for each ship while maintain-

ing security of information.

The system gives a detailed record of identity and the current

status of imports and exports within the port area.

Phase One, already completed, was a direct trader input system. Phase Two has still to be imple-

Maritime Cargo Processing.

It is actually operated by the Felixstowe Dock and Railway

Barrie Stevens

system into full effect.

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ASSOCIATED BRITISH PORTS

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Brighter prospects for a revival

THE BALTIC EXCHANGE – unkindly described by one broker as a "vast Victorian mausoleum" industry for the past few years. But the future now looks brighter than it has done for

some time. "There are reasonable prospects for hope and a revival." says Mr Derek Walker, chief executive of the exchange.
"The market is on a better base. A lot of tonnage has gone and a lot of shipbuilding capacity

has been removed. There is confidence that no unwise ship con-struction will take place now." Mr Paul Vogt, vice-chairman of the exchange, agrees. "The fun-damentals are good - on the current basis we're going to have a

thriving market again." The lean times have taken their toll of members, although Mr Walker points out that the current membership of about 2,000 compares favourably with the range of 1,200 to 2,500 mem-

bers over the past 30 years in St Mary Axe in the City. The harshness of the business climate has also raised questions about the usefulness of the exchange, which has gradually become a centre for gathering information rather than fixing

Its fiercest critics, who feel it should be doing a lot more to keep up with the times, believe

The harshness of the business climate has also raised questions about the usefulness of the exchange

there is no room for complacency even though the shipping market

is improving.
"I don't believe they are taking advantage of the opportunities available," says Mr James Gray of GNI Futures. "It could be such

The introduction of a Cellnet The July contract reached a radio telephone network in April high of 1.625 points on March 23, was a step in the right direction compared with 969 on the same towards the modernisation that day in 1987 and 1,166 at the beginsome brokers would like, he says. But he wants to see the installation of a computer system which ing sharply to 1,500 on May 17. at the least could collate informa-

reputation and strength on the the contract has fed upon itself exchange of information, he says, In April daily average turnover and it should use every type of was 727 lots, compared with 371 technology to continue to attract in April last year. The record people to the market.

He cites the Baltic Freight reached 1.735 lots on May 19. Index (BFI) - "the first new thing we've done for many years"

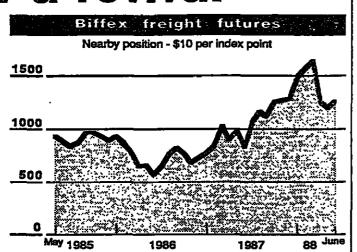
tion can benefit the exchange. The index was started at the reach an average volume of 1,000 lots.

beginning of 1985 to provide an volume of 1,000 lots.

"There is healthy liquidity. Bifsays.

"There is healthy liquidity. Bifsays.

Mr Walker, who believes the contracts of the contract of the offered by the Baltic International Freight Futures Market, being a mature market," he says. known as Biffex. Every working day a panel of eight brokers compiles the index, which is pub-lished at midday, on the basis of the BFI, but it has also given



able importance to the shipping industry." Mr Gray says.

Mr Richard Duncan, chairman
of Biffex, agrees. "The BFI has become a major talking point in the shipping world, whether peo-ple are interested in futures trading or not. It keeps the Baltic's name in all the media throughout

the world." "The BFI has been one of our big successes," Mr Vogt says. "It gives the market a daily yardstick instead of vague senti-

He thinks that the index is probably used rather more than the futures market, but Biffex is itself a unique attraction for the Baltic.

Biffex was launched in May 1985 with a dry freight futures contract based on the BFI, which was created for its use. Each traded lot is measured by the index points, worth \$10 each.

The contract, the only one of its kind in the world, led a pretty staid existence until the beginning of this year, when prices suddenly took off as the supply/ demand balance in the shipping market at last began to change for the better.

ning of this year. Through April it declined 400 points before ris-Since then it has once more

tion on ship movements and the fallen sharply.
whereabouts of cargoes. Futures traders revel in volatil-The Baltic Exchange built its ity, and the growing success of number traded in one day

"An awful lot depends on volatility," Mr Duncan says. If it con-- as an example of how innova- tinues, he believes there is a good chance that the market could

Mr Walker of the Baltic believes Biffex has not only been dry cargo freight rates for 13 the Baltic Exchange more of a shipping routes.

"The interesting phenomenon is that it has become of considerin the interesting phenomenon is that it has become of considerin the interesting phenomenon is that it has become of considerin the interesting phenomenon is that it has become of considerin the interesting phenomenon is that it has become of considerin the interesting phenomenon is that it has become of considerin the interesting phenomenon is that it has become of considerin the interesting phenomenon is that it has become of considerin the interesting phenomenon is that it has become of considerin the interesting phenomenon is that it has become of considerin the interesting phenomenon is that it has become of considerin the interesting phenomenon is that it has become of considerin the interesting phenomenon is that it has become of considerin the interesting phenomenon is that it has become of considerin the interesting phenomenon is that it has become of considerin the interesting phenomenon is th financial image. It has given both

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faced with an epic

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chance to hedge, and brought i speculative money to shoulder some of the risks of the business Mr Vogt agrees. "Biffex is one more reason why business should

come to London. In the background there is always the possibility of reintrod-ucing a tanker contract to add to the dry freight contract. A tanker contract was launched in Febru-ary 1986, but the timing coincided with the collapse in crude oil prices and the contract was

closed at the end of the year. Futures Exchange (BFE), a Recognised Investment Exchange which started trading in Decem-Prospects for a revival ber. The BFE also includes the London Potato Futures Market, the London Meat Futures Market, the Soyabean Meal Futures Market and the Grain Futures market.

The exchange was set up to and administrative costs involved in becoming a recognised exchange under the financial services legislation.

The removal of the Corn Exchange to the Baltic in April means that all London's agricultural markets are now under the one roof, helping to reaffirm the Baltic's position in the City.

Meanwhile Mr Vogt is confident that London remains a much more effective and efficient shipping market because it has

"Going to the Baltic is a much better way for brokers to pick up information than from their offices. It is a disciplined market correct and ethical," he says. In every member nas have liability insurance - the only place in the world where

"Ship brokers have been the

biggest single problem facing the Baltic is the high cost to firms of maintaining offices in the City,

agrees.
"We have had very, very hard times for a long while - now they're getting better."

David Blackwell

Tanker market

Uncertainty behind the optimism

FORECASTS for the tanker market are largely optimistic in the short to medium-term, but if there is a consensus, it is that the

only certainty is uncertainty.

For the moment, most of the indicators appear to be positive, despite a fall of 10.3 per cent in the spot market in May compared with the year before.
The total of laid-up tonnage is

at its lowest point for many years, while owners' confidence in the future is reflected in a dramatic fall in the rate of scrap-ping, together with a rise in secondnand values and a steady increase in tonnage on order. Underlying this improved confidence is the view that the fun-damentals of the market are

next couple of years. For example, the Organisation ing growth of 3 per cent this year . which implies a rise of

largely set fair for at least the

World oil seaborne trade development 1973-87

Crude oil Products Total 1973 1975 1366 1263 1451 1497 1320 1170 933 930 930 871 958 963 1724 1776 1596 1437 1278 1212 1979 1980 1981 1982 1983 ing at 12 knots. In fact, the actual increase

year, declining slightly to 2.5 per

for Economic Cooperation and Oil consumption in the 24. Development recently revised its industrialised countries is fore-forecasts upwards, and is predict cast to increase by 2 per cent this

of 0.13mbd, this means that US imports could rise by 0.45mbd -the equivalent of 275bn tonnemiles on the Cape route from the Middle East Gulf, or about 23 very large crude carriers steam-

tanker demand is likely to be about half this total, according to Intertanko, the International Association of Tanker Owners. because a large part of the increased imports will flow from Latin America, Africa, and through the Suez Canal. Nonetheless, the short-term outlook is optimistic, especially

given the ageing profile of the world fleet, which ought to mean that an increasing number of ships will soon be coming to the end of their useful lives.

0.32m barrels per day in the US-the biggest single market.
After taking account of a fore-cast decline in US oil production of 0.13mbd, this means that US uncertainties caused by the inability of the Organisation of Petroleum Exporting Countries

to control production. Ocean Shipping Consultants of the UK also pointed out in its

The total of laid-up tonnage is at its lowest for many years, with a steady increase of tonnage on order

recent publication Tankers: Demand and Profitability in the 1990s, that market uncertainty was being increased by the trend towards shipping refined prod-

development continues in many oil producing countries.

In the longer term, demand for tankers could be reduced significantiv by the increased use of pipelines: two currently under construction in Iran and Iraq could lead to a cut in demand of 136hn tonne-miles a year, according to Intertanko.

Great uncertainty is also being caused by the seemingly never, ending Culf War between Iran and Iraq, which has led to attacks on hundreds of merchant ships, many of them neutral tankers.

However, the key to long term profitability for the tanker indus-try will be whether owners can refrain from creating a boom in ordering which would lead to renewed over capacity and a further spiral of decline in rates.



Profile: Boulogne

Facing pressures from the Tunnel

pass a piece of the future - the dusty construction site near Sangatte where the Anglo-French Eurotunnel consortium is building the Channel Tunnel.

The Tunnel, less controversial in France than in the UK, is already a fact of life for the inhabitants of the Nord Pas de Calais, although it is not due to

But for Calais and Boulogne, the two main ports of the region, it presents problems similar to those faced on the English side of

the Channel by Dover and Fol-

The difficulties are probably most severe for Boulogne, which fears that commercial pressure on the shipping companies may cause them to concentrate future services on the more popular route to Calais.

This threat is heightened by uncertainty over the future of the port of Folkestone, which is the English destination for Sealink services from Boulogne.

Boulogne hopes that ferry pas-sengers will continue to be attracted by improvements in the local road network, and by its reputation as a more pleasant town than Calais.

In the worst case, however, the port could face the loss of all its tourist traffic, which provided 40 per cent of last year's revenues of FFr 126m (£11.9m).

The Chamber of Commerce, which runs the port, has adopted a three-point strategy to cope with this eventuality by expanding other aspects of the port's activities.

DRIVE ALONG the coast road 141m (£13.4m) museum of the sea, from Calais to Boulogne, and you aquarium and maritime technology research centre.

> Second, efforts are being made to expand the activities of the existing non-ferry port operations, including France's office space, covered platforms biggest fishing fleet, and bulk for road/rail transhipment, comcargoes such as minerals, cement

And third, the chamber is trying to attract new business by developing an intermodal freight-handling facility known as the Garromanche (Gare Route Rail de la Manche), which will

in the worst case the port could lose all its tourist traffic, which provided 40 per cent of last year's revenues

eventually have the capacity to handle up to 400,000 tonnes of cargo per year.

This development has been partly prompted by moves towards the completion of the European Community's single property due to toke internal market, due to take effect in 1992. As an interim sweetener, users will be able to take advantage of Boulogne's free port status to avoid duties on both imports and exports for up to five years.

The Garromanche, which was largely financed by French and European Community taxpayers, is on a 30-acre greenfield site about two kilometres from the ferry terminal. It is being promoted by Syndival, a company formed by the Chamber of Com-merce and the nine administrative boroughs of Boulogne.

First, the chamber is seeking to maximise the tourist potential of a cooperative, in which compathe port by establishing the Centre National de la Mer, a FFr become associate members of the

in policymaking.

The £7m first phase includes puterised stock control, container handling and stacking facilities, a weighbridge and customs facili-

There is also a reception centre for drivers, together with a cafeteria and service station. Later, a \$1m direct road link to the ferry terminal will be added.

After nine months, half the 30 building plots have been let, together with 14 of the 17 available offices, and more than 26,000 tons of cargo have been handled.

The Chamber of Commerce is promoting the Garromanche principally as a stock holding point for exports from the Continental European Community to

Goods from other Europe countries can be delivered by road or rail, held free of duty, reloaded on demand, and then transported by lorry to Dover or Folkestone - avoiding the need for warehousing in the more expensive South East of England.

A number of companies are already operating in this way, including Franco-Anglaise de Manutention, which distributes Indesit white goods delivered by rail from Italy, and Translittoral, a major road haulier which stockpiles Continental wines.

Normally, there are 60 hover-craft and ferry services per day between Boulogne and the UK. This means that orders from the UK can usually be despatched overnight, though services have been affected by the dispute between the UK seamen's union and the British ferry operators. Mr Gerard Valeri, general sec-retary of Syndival, says this

Association Syndicale, which means users of the Garromanche gives access to all jointly-owned will have a stockholding and distince, however, he hopes the Garuipment, together with a vote tribution facility which will be policymaking. unique on the Channel coast.

Mr Valeri concedes that the advantages of the free port will disappear when the single mar-

romanche will have established itself as a permanent distribution centre for South East England.

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four years. And there is a further

prospect that the General Agreement on the North Atlantic, ment on Tariffs and Trade will be which is legal under the 1984 US

recent talks in Washington that the US and EC were more united

so-called Eurocorde rate-fixing ers' Associations, said after extended to cover services during Shipping Act but may be banned than divided on shipping matters, the forthcoming Uruguay Round. under the EC's Common Ship- but the fear of a damaging clash under the EC's Common Ship- but the fear of a damaging clash

Continued from page 1 there could be a clash between Mr Hans Jakoo Kruse, Charlestraterritorial frameworks for the maritime regulations of the man of the Council of European man of the Council of European National Shipown Through Transport Club regulating shipping in the last US and the EC, possibly over the and Japanese National Shipown

FT LAW REPORTS

Double payment risk outweighs foreign coercion

House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Templeman, Lord provided for International Cham-Oliver of Aylmerton and Lord ber of Commerce arbitration in

A GARNISHEE order will not be made directing a person who owes money to a judgment debtor to discharge his debt by paying it to the judgment creditor if there is a real riak that he may have to pay twice, though the risk derives from a foreign court's exercise of an exorbitant jurisdiction, invalid by English and generally-accepted International Law principles. And a Mareva injunction freezing the proposed garnishees's UK assets pending finalisation of the garnishee proceedings will not, on their failure, be kept open to enable a judgment creditor to persue other methods of execution if, in the circumstances, the natural method was by garnishee proceedings.

The House of Lords so held

nishee proceedings.

The House of Lords so held (Lord Templeman dissenting on the garnishee point) when allowing conjoined appeals by Shell International Petroleum Co Ltd from two Court of Appeal judgments (1987) 1 FTLR 17 and (1988)1 FTLR 67. The first appeal was from a Mareva injunction

The House of Lords so held judgment given by an overseas court was not recognised in England if the proceedings were brought contrary to an agreement to arbitrate (see Civil Jurisdiction of the civil court. A judgment given by an overseas court was not recognised in England if the proceedings were brought contrary to an agreement (1988)1 FTLR 67. The first appeal DST sought to enforce the was from a Mareva injunction
obtained by Deutsche Schachtbau-und Tiefbohrgesellschaft
mbH "DST" freezing UK trade
debts owed by Shell to R'As al
Khaimah National Oil Co

"Bakail" The record was from a "Rakoil". The second was from a to Rakoil, in particular debts garnishee order absolute direct owed by Shell.

judgment debt owed by Rakoil to DST.

Oll supply invoices, pending proceedings by DST for a garnishee order directing Shell to discharge of RyAs al-Kaimah granted an oil exploration concession in its territorial waters. Under the agreement the state, through Rakoil, was liable to contribute to the cost of drilling. On September 1 1976 the concession holders, a consortium of companies including DST.

Oll supply invoices, pending proceedings by DST for a garnishee order discharge order discharge order discharge tits discharge order discharge order discharge tits trade debts to Rakoil by paying DST.

On March 30 1987 the state began proceedings in the Civil Court was exorbitant three times. First, in the order against DST usurping the arbitrator's pending proceedings by DST for a garnishee order absolute. If the garnishee showed he was in fact exposed to a real risk of DST usurping the arbitrator's pending proceedings by DST for a garnishee order absolute. If the garnishee order approach in the order against Shell in favour of the court did not matter that the foreign court did not not have, by English court's discretion to make a garnishee order absolute. If the garnishee order approach in the cate times, First, in the order against shell in favour of the court against Shell in favour of the state which was not a party to the Shell contract, and in usurpation of jurisdiction; and third, in the order detaining New London, which was grossly exorbitant.

On April 14 1987 the state debts to Rakoil by paying the arbitrator's pending to discharge its trade debts to Rakoil by paying the arbitrator's pending to discharge its trade debts to Rakoil by paying the arbitrator's pending the arbitrator's pending to discharge its trade debts to Rakoil by paying the arbitrator's pending to the cate of the garnishee order absolute.

If the garnishee order approach in fact exposed to a real risk of DST usurping the arbitrator's pending to paying the arbitrator's pending to the cate of the garnishee order absolute.

If the garnishe

Oliver of Aylmerton and Lord ber of Commerce arbitration in Goff of Chieveley): June 23 1988

Switzerland. DST, on behalf of the consortium, claimed against Rakoil and the state. They chal-

garnishee order absolute directing Shell to pay those debts to DST towards satisfaction of a judgment debt owed by Rakoil to DST.

LORD TEMPLEMAN said that on May 23 1973 the state of R'As its trade debts to Rakoil by payal-Kaimah granted an oil exploration of the state of R'As its trade debts to Rakoil by payal-Kaimah granted an oil exploration of the state of R'As its trade debts to Rakoil by payal-Kaimah granted an oil exploration.

she would be detained until Shell

the judgment debt due from legal process
Rakoil to DST. Shell's appeal
Against the garnishee order was dismissed.
The critic that there we dismissed.

Shell now appealed. It argued that a garnishee order should not be made if the conjoint effect of where Shell carried on its business, and that it might have to be subjected to process of executives that it might have to pay twice over.

the Civil Court had shown no expense of Shell, an innocent signs of independence from the third party.

State. The English court was entistate. The English court was entitled and bound to ignore the diction of the Civil Court was
claims to jurisdiction put forward three times exorbitant, disapproby the Civil Court. Coercion bation of the exercise of enalthreatened by the state against

Disagreeing with Lord Goff, his Lordship said that the existence of a real risk of Shell paying twice was not the only or superior criterion; to accept such a criterion would be to accept coercion by a foreign state and a foreign court.

evant risk to be evaluated was the risk of execution on Shell's assets pursuant to the Civil Court judgment.

The mere fact that the exercise of jurisdiction by the foreign court was exorbitant or even exorbitant, would not of itself affect the exercise of the Excellent court's disception to

war attached to be a con-

DST v SHELL INTERNATIONAL
PETROLEUM CO LTD
costs.
House of Lord Keith of Kinkel, Lord Brandon of Oak-brook, Lord Templeman, Lord provided for international Chamber of Avigation and Lord by a Company of Company and Lord by a Company of Company london. The appeal should be dis-

she would be detained until Shell london. The appeal should be dispaid the state \$\$m. The charter missed.

LORD OLIVER agreeing with Lord Goff that both appeals should be allowed, said the possibuse made a garnishee order absolute, directing Shell to discharge its debt-to Rakoil by paying DST in part satisfaction of the indepment debt due from legal process.

The critical consideration was that there was a serious risk that the legal process, whether legiti-mate or not, would be recognised

It was clear that Rakoil was If that occurred DST would the servant of the state, and that have satisfied its judgment at the

by the Civil Court. Coercion bation of the exercise of such threatened by the state against jurisdiction should not weigh Shell was matched by the coercion of the Civil Court in seizing New London.

In the light of those facts, the Civil Court was not able or willing to assert its integrity or independence, and its orders should be ignored.

LORD GOFF said that, as a general rule, commercial pressure could not of itself be enough to render it inequitable to make a garnishee order absolute. The relevant risk to be evaluated was

evant risk to be evaluated was

English court's discretion to

that the state would succeed in enforcing the judgment in another Gulf state.

Shell had discharged the burden on it to establish the existence of such a risk its appeal against the garmishee order absolute should be allowed.

The part question was whether

The next question was whether the injunction ordered by Mr Jus-tice Bingham must also be dis-

DST submitted that the injunc-tion should be allowed to stand to maintain the status quo, pend-ing the invocation by DST of other powers of enforcement of Shell's indebtedness - e.g. by

feature was the reality of the risk.

The question was whether shell in respect of any indebtedness to the state; Shell had established that there was a real risk. The arrest of Shell's indebtedness; or a wind-leave of the state's determination to enforce the judgment. There must be a risk that the practical difficulty of identifying Shell cargoes available for execution in other Gulf states would be garnishee order absolute. It overcome. The evidence on Gulf law was sufficient to establish the injunction to enable DST to that the state would succeed in pursue some other method of exe-

> The injunction should be discharged.

Lord Keith and Lord Brandon agreed with Lord Oliver and Lord Goff. Both appeals were allowed. The garnishee order absolute and the injunction were discharged. For Shell: David Johnson QC, Mark Havelock-Allan and EJ Broadbent (Middleton Potts & Co)
For DST: Anthony Grabiner QC
and Steven Gee (Herbert Smith &

> Rachel Davies Barrister

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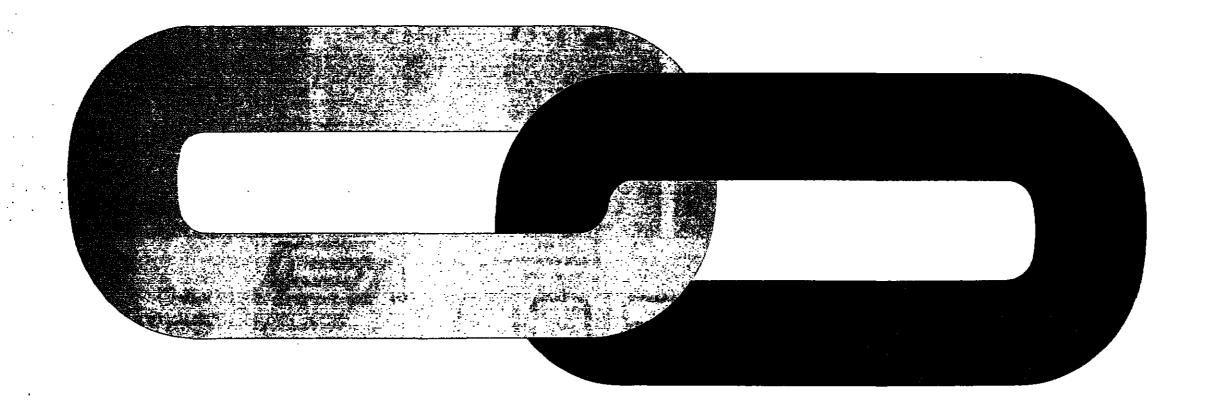
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FINANCIAL TIMES

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VX1000 and VX9000 parallel processing hardware.

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Another area of great strength is Government and Defence, where Apricot is the leading supplier of desktop systems in the U.K.

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How a drop of water gets the oil moving

Clive Cookson examines an Anglo-Venezuelan venture which will help exploit untapped energy reserves

reserves consist of heavy oils and bitumens – black tar-like materials which are usually too thick BP's immediate interest is to and sticky to transport, process or use economically. But new technology recently developed by British Petroleum (BP) and Petroleos de Venezuela (PDVSA) will make it easier to exploit these

huge energy reserves.
BP and PDVSA have discov-BP and PDVSA have discovered how to mix heavy oil with water, to produce a liquid emplsion which not only flows easily down a pipeline but also burns very well in boilers and heaters. Next menth, emulsified heavy oil from Venezuela will be used to generate electricity for the first time in the UK, in a series of tests at Ince B nower station in tests at Ince B power station in Cheshire. Next year PDVSA plans to launch the emulsion, which it calls Orimulsion, on the world market, as a fuel for power

Scientists from the two companies discovered the emplsification process in 1983, as part of a collaborative research programme at the BP Research Centre in Sunbury, near London. The programme was aimed at finding new ways of handling and pro-cessing heavy oil. Venezuela has the world's largest deposits of heavy oil, with Canada in second place. Therefore, exploitation of these reserves has the potential to transform the Venezuelan

product - a fuel that will enable use the emulsion, which it calls Transoil, to transport heavy oil from its fields in remote parts of

Canada to refineries, where it is broken down into lighter oil fractions and bitumen (mainly for making roads). BP also sees immense long-term potential for the emulsion as a fuel and is car-rying out its own combustion tri-

heavy ell has been brought to the cous heavy oil is transported by surface (by steam in Canada and thinning it with "natural gas conunder its own pressure in Venezuela). But next year BP plans to petrol, which occurs nearby. But try making Transoil inside an oil after the early 1990s there will

In the first stage, heavy oil is mixed with a solution of surfactant in water. The surfactant is a from Alberta's oil sands - which commercially available chemical is why the Alberta Energy Com-(nonyl phenyl ethoxylate) which pany is working with BP Canada

ferent approach to applying the emulsion ends up with 65 per and FKI Babcock, are more than technology. PDVSA regards the cent oil and 35 per cent water. satisfied with the results of their than the larger droplets (up to says, and soot particles by as emulsion primarily as an end
The oil droplets are now tiny tests of Orimulsion.

The oil droplets are now tiny tests of Orimulsion.

spheres, each about 10 microns (one hundredth of a millimetre) in diameter. They are evenly distributed through the water.
The small size of the droplets means that the oil-in-water emul-sion is stable and the two components do not separate out (unlike say, an oil and vinegar salad dressing). In field tests over the last year at BP Canada's Wolf Lake heavy oil field in Alberta,

10,000 barrels of Transoil emulsion were stored in tanks for three months and transported Transoil or Orienulsion is made
by a patented two-stage mixing
process. Both stages use a high
speed industrial mixer, not
unlike an enormous kitchen
unlike an enormous kitchen
thander. Until now the emulsion

At nresent Alberta's highly vis-

not be enough condensate to move the growing volumes of heavy oil expected to be produced to evaluate Transoil technology

Emulsion production Heavy oil production Surfactant solution Total world reserves of heavy oil 4600 billion barrels Total world reserves of conventional crude 2000 billion barrels 90% oil 10% surfactani solution Recoverable Recoverable 700 billion barrels 700 billion barrels Source: BP

"Our test was very successful," says Peter Beal, business devel-opment manager of NEI International Combustion. "We were able to handle and fire the material and it gave high efficiency

PDVSA is sponsoring trials of Orimulsion at seven power stations in Europe, Japan and North America this year. The UK Central Electricity Generating Board plans to burn 200 tonnes at Ince B over a ten day period this sum-mer. "We have only had to make

duced when pure oil is forced through the nozzle of a burner. This increased efficiency compensates for the fact that some of the combustion heat is used up evaporating the water in the

Alan Stockwell, Transoil project leader at the BP Research Centre, says that, when his emulsion burns, the flame tempera-ture is only 20 to 30 degrees Centigrade less than a pure oil flame.
"There is only a three per cent reduction in heat output," he

reduces the surface tension between the oil and water and assists the formation of polyhedral shaped oil droplets separated by thin films of water. At this stage the mixture consists of 90 per cent oil and 10 per cent water.

The two large UK boller-makers, purpose that the emulsion burns well in existing oil-fired boilers. The two large UK boller-makers, purpose that the 10 micron oil droplets such a good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is the such as good fuel. The reason is that the 10 micron oil droplets such as good fuel. The reason is the such as good fuel transform the Venezuelan water:

well in existing oil-fired boilers, such a good fuel. The reason is quickly and more completely, conomy.

In the second stage, more The two large UK boiler-makers, that the 10 micron oil droplets Emissions of nitrogen oxides – Each company has taken a dif-water is beaten in, so that the NEI International Combustion are an ideal size for combustion, an important cause of acid rain

However, empleification can do nothing to reduce emissions of sulphur dioxide, the other major contributor to acid rain. Power stations burning Orimulsion may have to be fitted with fine gas desulphurisation equipment if they are to comply with environ-mental requirements in many parts of the world.

According to PDVSA, the cur rent Orimulsion production capacity in Venezuela is about 20,000 barrels per day. This could be increased to 50,000 b/d when commercial deliveries start next

The state-owned company sees potential sales rising to 600,000 b/ d in the mid-1990s and 1m b/d by the year 2000. Although this is only two per cent of the world's current oil production, it would be enough to turn round the struggling economy of Venezuela and make a significant impact on the market for coal for power sta-

Swiss begin tests of AIDS vaccine

BY JOHN WICKS IN ZURICH

and AIDS-related complex, has disease. It is likely to be three or four years before the vaccine comes to market, even if the triple oped by Biocine, a joint-venture of the Swiss chemical concern Ciba-Geigy and the American bio-technology company Chiron Corporation. It is one of a small number of candidate AIDS vaccines beginning clinical trials in form of antibodies to neutralise form of antibodies to neutralise. cines beginning clinical trials in different parts of the world.

intended to show that it can be given safely to people and to gain sight into how it affects human ted to begin in the US later this

Some 25 volunteers will be involved in the initial Geneva

A PROSPECTIVE vaccine against of contracting AIDS from the vacthe human immuno-deficiency cine, since they will not be virus (HIV), the cause of AIDS exposed to the virus causing the and AIDS-related complex, has disease. It is likely to be three or

duce immune responses in the form of antibodies to neutralise HIV and the activated white blood cells known as T-cells.

The vaccine has been tested in animals and the "phase one" blood cells known as T-cells.

Biocine, which is based in Biocine, which is based in Emeryville, California, employs immunology and allergies at both a genetically-engineered antigended to show that it can be an adjuvent for the gubancement. antigen developed by Chiron and an adjuvant for the enhancement of immune responsiveness, from Ciba-Geigy. It is believed that the cells. Further studies are expec- antigen contains more than one of the proteins present in HIV. Extensive animal tests suggest

that the stimulation of both anti-HIV antibodies and cell-mediated immunity is effective in eliciting tests. These are being selected immunity is effective in eliciting from healthy men aged between a strong immune response in sev-20 and 60. They will be at no risk eral animal species.

Mergers will curtail growth in US research

Science Foundation.

rent dollars on the 1987 figure. In tion's survey. terms of constant (inflation only 3 per cent.

age annual 5.5 per cent increase tion says.
recorded between 1980 and 1985. Among specific US industries,

THE GROWTH in mergers and spending of 18 companies other forms of restructuring in involved in such activities over US industry are likely to be this period. Of these companies, pehind a slow-down in the expan- three reported decreased R&D sion in companies' research and outlays in 1985, and six expected development budgets, according that spending during 1987 would to a survey by the US National fall below 1986 levels.

The average annual increase in The foundation says that total research spending among the 18 company funded R&D spending companies from 1984 to 1988 was in 1988 is likely to be \$62bn, a three per cent, roughly half that seven per cent increase in cur- of all respondents to the founda-

terms of constant (inflation "The experience of the respon-adjusted) dollars the increase is dents indicate that R&D levels only 3 per cent. are maintained immediately after The 1985-88 average annual mergers, but there then follows rate of increase is expected to be consolidation, cost cutting and 2.6 per cent in constant dollars, elimination of duplication (in significantly lower than the aver- research spending)," the founda-

One reason for the slow-down machinery (which includes commay be the increase in acquisi-puters) is expected to have the tions, divestitures and other largest growth in research spend-types of restructuring in US ing in 1988, with a 14 per cent industry since 1984. increase during this year to fol-The foundation bases this judg- low a 17 per cent expansion in ment on an analysis of the R&D 1987.

Certifying to the quality of Britain's information skills

BY BAVID THOMAS, EDUCATION CORRESPONDENT

interrogate a database as to type a letter, so why not give them qualifications to match?

The Royal Society of Arts, well-known for furnishing generations of secretaries with certificates testifying to their skills, is trying to cut a swathe through Britain's information technology (IT) jungle with a new set of qual-

OFFICE WORKERS of the fature are just as likely to be asked to interrogate a database as to type a letter, so why not give them a letter, so why not give them attention has been paid to an attention has been attracting 60,000 stu
The advanced diploma encomplement at the been attracting 60,000 stu
The advanced diploma encomplement at the been attracting 60,000 stu
The advanced diploma encomplement at the been attracting 60,000 stu
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The advanced diploma encomplement at the been attracting 60,000 stu
The advanced diploma encomplement at the been attracting 60,000 stu
The

obvious solution: devising IT a new certificate. qualifications designed both to raise skill levels and to give a marketable piece of paper to employees who have worked hard for those skills.

"One of the problems we had man says. ing database and archiving or as that there was no certificate The RSA agreed to plug the deleting files. was that there was no certificate

sitting on its workers' desks, tion. In the case of the vocational Rank Xerox wanted to make sure certificate, these include using a the machines were being used to word processor and a facsimile

ifications launched last week. which anyone could sit and qualification gap by launching a The diploma involves creating the complaint that Britain's which recognised their skills in new IT certificate, building on a and using spreadsheets, interroceonomy is threatened by a lack information technology," simpler RSA qualification in gating commercial external data-

identified tasks for each of the With about £8,000 of equipment three levels of the new qualificatheir maximum potential, Chap-machine, interrogating an exist-

of people with the right informa- explains Doris Chapman, who computer literacy and IT which bases and producing letters by

company documents, appraising hardware and software for use

with an existing system and establishing a database. A worker or student can prepare for the qualification either on-the-job or at a college. At work, progress would typically be assessed by an in-house supervisor, although external RSA assessors would check standards. IBM and the Bank of England

joined Rank Xerox in helping the RSA to develop the qualification, thereby ensuring that no bias developed towards IT systems from a single manufacturer. Doris Chapman, who has nov left full-time work with Rank Xerox to become one of its

semi-independent networkers, says the qualification is aimed at office workers up to middle man-

Asked whether it would suit a managing director, she replies that bosses might go through the mill to show willing



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In preparation for the payment of the half-yearly interest due August 1 1988 on the above stock, the transfer books will be closed at 3.30 p.m. on July 11 and will be

D.R. Keast

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Financial Analysts Crossword



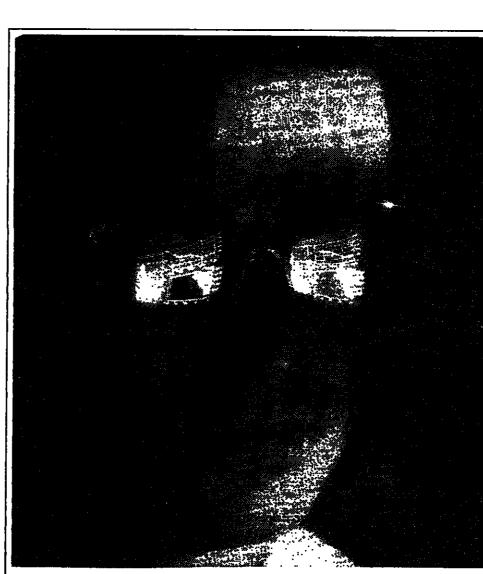
1. It's where the EFFAS Congress will be on September 20 to 23. (Hint: Swiss and international)

2. It's where you can see LOGIBANQUE, a unique exhibition of the world's top specialist computer systems for financial analysts all under one roof (Hint: it's the same place as 1 Down)

Across

3. It's where you should be on September 20 to 23. (Hint: remind the board that, in today's markets, one cannot dare fall behind with current thinking and

EFFAS/LOGIBANQUE Geneva, September 20 to 23. Ring (4122) 28 06 84 for any information.



WIGAN

INDUSTRY · RETURNS · TO · ITS · BIRTHPLACE

Get the Facts from John Robinson, Head of Economic Development, P.O. Box 36, Civic Centre, Millgate, Wigan WN1 1YD U.K. Telephone: (0942) 827166

Aida/Earls Court Arena

Richard Falrman

Orama, hundreds of priests wearing silly hats, armies of warriors even greater sus in black visors and a horde of lief than usual. children dancing about as Ethiopians in fuzzy wigs and black knickers – and still all they talk about is the foibles of the prima

donna.

That is one of the eternal fascinations of opera. The music-lov-ing public in London has not been exposed to opera as a sport; but the arrival of Vittorio Rossi's gargantuan production of Aida from Verona and Paris, with its touts and reported scuffles between officials and disgruntled patrons, was belated proof that

anything football or tennis can do, opera can always try to equal. This was a star fixture and its Maradona had limped off sick. It had already been widely reported that Grace Bumbry was suffering from tonsilitis and a severe attack of hay fever, and her sing-ing during the opening scene, in which she found the top notes slipping from her grasp, showed all too clearly that her vocal recovery was far from complete. The decision to quit at the end of the first act was a sensible one in the circumstances.

the audience seemed to be taken reserve soprano could be beard warming up during the preceding

A capacity audience of 14,500 and Dimitrova (scheduled to sing on it would be worth a bet that Monday) who arrived after a 15 there was only one topic of interminute wait, her face black but val talk on every pair of lips. You everything from the chin down give them an epic visual pan-left white in her haste, a sort of two-tone Aida who called for an even greater suspension of disbe-

Nevertheless, with her appearance it started to become possible to take the performance more seriously. The problem about opera on this scale is that the usual difficulties of getting the thing together are magnified out of all proportion: the singers are unable to hear the orchestra and stand around with their eyes fixed on the conductor, so that the drama is reduced to watching cohorts of extras marching up

My only previous experience of indoor opera of this kind was a performance in Moscow's vast Palace of Congresses, where Soviet leaders orate at party conmarch all the way up to the top tinucci, a veteran of the Verona intense a communicator as ever, ferences. Earls Court may have a and all the way down again. Still. Aidas, knows all about hanging to remind us what singing Verdi ferences. Earls Court may have a and all the way down again. Still. Aldas, knows all about hanging to remind us what singing Verdi less prestigious appeal, but in he keeps to Verdi's instructions on to the top notes in a show like general I would count this Aida a whenever he can (the Judgement happier experience. The amplification was of a high order, creation was of a high order. ing a practical working balance plenty of other productions that between soloists and orchestra, have done the opera more vio-at least to those of us in the lence than this.



Masks and pyramids at the Verdian extravaganza

The Amneris was the young bulgarian Adriana Porta, who between soloists and orchestra, at least to those of us in the prime position of the press seats; and the spatial effects had been cleverly devised.

Rossi's vast Egyptian temple of a set stretches right up to the ceiling. It is the kind of production that demands not so much a director as an army general, ready to command his troops, might have done with it, had she like the Duke of York's men, to

Bastet/Birmingham Hippodrome

Clement Crisp

To find oneself at a matinée in Birmingham watching a prohonged if simulated act of copulation is not my idea of theatrical fun on a Saturday afternoon. Nor would I think it ideally suitable for the surrounding tots — though, to judge from the faint moans coming from the back of the stalls, one or two members of the stalls, one or two members of the audience were singing along.

mour's new Bastet.
This bizarre event is owed to Sadler's Wells Royal Ballet, pres-enting the piece for the first time as part of a triple bill. I wish I

action from the meretricious training for temple servants. design by Andrew Logan, who though indecent molestation provides a good many honey-col-apparently is. as part of a triple bill. I wish I could report that anything about this tasteless thirty minutes in the Valley of the Kings was worthwhile. Alas, it seemed to me to be both gratuitously and dubiously crotic, and deplorably designed.

Miss Seymour's theme concerns an Ancient Egyptian youth unable to consummate his passion for his beloved. So Bastet, the Cat Goddess, obligingly

the audience were singing along and giving us an extended exam corps de ballet strike hierowith the characters in Lynn Seymour's new Bastet.

This highest appear to least a bronze medal for one's be making up their dances as the strike hierowith the characters in Lynn Seymour's new Bastet. they go along. Disciplined movetemple. they go along. Disappended the Nor is there any help to the ment seems not to be part of the ment seems for temple servants.

Bunter!/Northcott, Exeter

B.A. Young

Bunter! is not like other musicals, it distains the romantic plot and imitation pop songs that fill the thinner musicals of today. The only romantic mumber ("For all the wrong reasons "please" project the wrong reasons "please "project and as of the wrong reasons "please "pleas as unforgettable, and as often revived, as Bertie Wooster. They all the wrong reasons," pleas-antly sung by Patsy Rowlands) is assigned to the mature matron at Greyfriars, hopelessly in love with Mr Quelch. As for the boys who fulfil the chorus function with juvenile charm, when they are not crying "Up, school!" they are probably yelling "Girls! Ugh!" Nor does Bunter! use the sub-Puccini style of the modern succesful musical. If it recalls anyone, it is Gilbert and Sullivan, for John Judd, who is responsible for book, lyrics and direction, has spent three or four years in his own G and S fantasy, Here's a How Dee Doo!, and be likes to fill his stage with character-roles

ance or join in a chorus. Older readers may recognise the characters as the denizens of Greyfriars, the public school

given to stagey gestures and lia-ble at a moment's notice to sing,

Bunter from Cliff House plays. depended mostly on familiar formulas and catch-phrases, and with his costume off, plays the

He hasn't bothered us with much of a plot. There is one - a crook comes to the master, Mr Smedley (Martin Wimbush) to discredit one of the boys, Ver-non-Smith (Bruce Morrison), so that he, Smedley, may inherit a fortune which the boy looks like getting. (All he inherits is a comic song, "Nasty habits.") But we are more concerned with per-

these are what John Judd has Fat Owl as we all envisage him. seized for his play.

The rest of the Famous Five work as a team rather than as individuals, though I have to say that Johnny Bull (Michael Winsor) looks a year or so younger than his contemporaries, and Hurree Jamset Ram Singh could be a shade darker without the racism becoming terrific. John Griffiths is a Quelch straight from the Magnet, Crispin Harris as Gosling the porter spends Chiefly, we are concerned with around the grounds, and there is Billy Bunter, notorious for his an enchanting boy treble, Domibulk, his greed and his dishon-nic Wood, as a new boy with esty, though here his faults have another of Paul Knight's good magnified him into a kind of songs. The admirable Victorian hero. He is even selected to play Gothic sets and, I suppose, the cricket against St Jim's, but in buns are by Kit Surrey.

A reconnoitre round the 1988 Venice Biennale

three full days of the general usual, and perfect for a first look vernissage in the Giardini Pubat the work. blico beyond the Arsenale, where and exhibitions, the Biennale, canal, to be first through the gates when they open at 10 o'clock — well, almost first. It has long been a point of honour with the British Council, which administers the British Pavillon, to be up and open at this first moment of the Biennale, so one's first patriotic duty is to turn

and exhibitions, the Biennale, Golden Lion. The general mutter found a regular home in the Cortise that to put in such a heavy-deria, the old rope-making work-like to put in such a heavy-deria, the old rope-making work-like to put in such a heavy-deria, the old rope-making work-like to put in such a heavy-deria, the old rope-making work-like to put in such a heavy-deria, the old rope-making work-like to put in such a heavy-deria, the old rope-making work-like to put in such a heavy-deria, the old rope-making work-like to put in such a heavy-deria, the old rope-making work-like to put in such a heavy-deria, the old rope-making work-like to put in such a heavy-deria, the old rope-making work-like the installation is show, is hardly playing the shops of the Arsenale nearby. Cucchi, Chia, Clemente and the show, is hardly playing the shops of the Arsenale nearby. Cucchi, Chia, Clemente and the show, is hardly playing the shops of the Arsenale nearby. Cucchi, Chia, Clemente and the shops of the Arsenale nearby. Cucchi, Chia, Clemente and the shops of the Arsenale nearby. Cucchi, Chia, Clemente and the shops of the Arsenale nearby. Cucchi, Chia, Clemente and the shops of the Arsenale nearby. Cucchi, Chia, Clemente and the shops of the Arsenale nearby. Cucchi, Chia, Clemente and the shops of the Arsenale nearby. Cucchi, Chia, Clemente and the shops of the Arsenale nearby. Cucchi, Chia, Clemente of the Beau nearby. Cucchi and the shops of the Arsenale nea would like to think, France to which is an international comments with the right, Germany to the left mittee's choice of artists under Yugoslavian expressionist, Janez others have worked to the event, sits and we must wait and America out of sight, 40 from around the world.

The overall organisation was world from the cool terrace that taken in hand by Giovanni Car-so far. The Australian pavilion is get is a strong sense of the vital-

Every second summer the art world comes together in Venice to see how the world, or art, has moved on, or not as the case may be. Thus it was that your critic queued at Heathrow last Tuesday, in company with colleagues, for the morning flight.

There is to be a reception for ahead and generally efficient Arthur Boyd and the roof not yet than any I can remember. Even on. But from now on the Austratica of the younger avant-garde in the catalogue, issued this time complete with a handsome of their own. A Biennale or two satchel, is to be found without ago, the organisation was sor lians will at least have a pavilion in function on, topped on the roof not yet this Blennale is far more tomorrow with the paintings of the politic plurality that are so characteristic of the younger avant-garde in the catalogue, issued this time lians will at least have a pavilion mid-morning to see the Austration of their own. A Biennale or two satchel, is to be found without ago, the organisation was sor lians with their roof on, topped out this being built, due to open tomorrow with the paintings of the paintings of the politic plant are so characteristic than any I can remember. Even on. But from now on the Australians will at least have a pavilion that the promised temporary pavilion that the promised temporary pavilion that the Australian of their own. A Biennale or two satchel, is to be found without ago, the organisation was sor lians with their roof on, topped out with Bellim's from Harry's part of the pavilion is quieter than the informal, continuous hospitality of previous years. For the moment, therefore, the pavilion is quieter than the promised temporal that the Australian of their own. A Biennale or two of their own. A Biennale or two on the Australian of their own. A Biennale or two of the paintings of the paint

Though there may well be all the national pavilions are set other fringe and satellite events out among the trees. Off on the and exhibitions, the Biennale, moment of the Biennale, so one's Pavilion at the heart of the Bienfirst patriotic duty is to turn sharp right up the hill to check complementary shows, the one of

initial cast through the the cen-tral Italian pavilion.
THURSDAY: back to the Giar-to the far end and come back.

Now to the United States for a commissioner hung her artists' In fact the bun-fight is such that first look at the Jasper Johns paintings from the trees outside. postponement seems again the show, by which the Americans FRIDAY: first duty is to see wiser course, show, by which the Americans FRIDAY: first duty is to see wiser course, clearly hope to carry off the the Aperto 88, which has lately Golden Lion. The general mutter found a regular home in the Corto a closer consideration of the

closed for a final wash-and-brush-up before the official inauguration tomorrow, after which in. There at the top the pavilion Italian, the other of international communities, primus later pares so we would like to think, France to which is an international communities, and the Aperto 88, the handful of national pavilions porary bays housing each artist. until September 25. But who has would like to think, France to which is an international communities on the far bank of the canal. The Some merely show current work: won the Golden Lion? The jury

William Packer

Snapshots of Stefan Wolpe/Almeida Theatre

The Almeida Festival has been have been performed, and the cacy of its part-writing. It is an elliptical piece from 1959 when formance of two beautiful to the notes and to Schumann's graces again suggested depths in zie serving a musical purpose. Hebrew cantata Yigdal (1945) and music, like a good deal of Wolpe was much concerned with Hebrew songs composed in 1938 tempi can reveal far richer "Evocacion," the gentle first Only Falla's Fantasia bética expressive variety in the cycle piece of Albeniz's Ibéria, beyond seemed a bit too well assimilated: (1902), largely American-based composer whose achievement easily stands comparison with that of the most famous composers of the century but whose unjucky fate it has been consistently to miss the spotlight of publicity. In America, thanks to the efforts of a few devotees and ex-pupils, his works are finally being properly published and more often performed. In Europe, he is also catching on: there have been Wolpe festivals in Holland and elsewhere, and one is forth-

In this country there has so far hern little response to his music. But the Almelda has taken a big sity by David Angel and Marshall hard-boiled Tango of 1927 and an expressionistic piano part, well where the state of affairs. During the last two weeks some of his best pleces by the richness and precise intri- ing account of Form for plano — the plano) gave an appealing per in his smallest things.

creative career.

ble purpose. Yvar Mikhasoff gave tone Omar Ebrahim contributed The instrumental accompanifirst came the superb (though incomplete) Duo for Two Violins, it demands and still managed to Pierrot costume, sang and endearing. Wolpe's Opus 2 of 1924 and a leave the Steinway piano in a fit declaimed the Kurt Schwitters The sum consequence of the product of his years in Weimar. It state to sustain his rendering of a setting, An Anna Blume, of 1929: concert was to remind us, or was performed with bright intencouple of Wolpe miniatures: the a Dadaist rampage, with wildly even show us for the first time,

(1954) have received their British premières.

On Friday night at the Almeida
Theatre, after a discussion led by critic Bayan Northcott, the Matrix Ensemble, directed by Matrix Ensemble, directed by Parting Matrix Ensemble Parting Parting Matrix Ensemble Parting Partin Robert Ziegier, played a continuous sequence of Wolpe items of notes on the lower keyous sequence of Wolpe items offering themselves as "snapshots from a life," and indeed one of Stockhausen's later Klavaluably reflecting the disparate vierstücke, never lost sight of it well-nigh could be.

LeRoy-Jones, Wolpe's third wife styles, places and occasions of his aural intelligibility and percepti
Tenor Paul Harrhy and bariHilda Morley, or even himself.

Alicia de Larrocha/Barbican Hall

David Murray

With a particularly sympathetic ilar treatment, fuller-voiced and programme this time, it surfaced less period-brittle than usual the everywhere, with the warmest one known here as "The Bees"

playing there is always a spirited lyrical shapes and energetic sibilities for an artist – but techimagination working away; some musicianship in the simplest nique of a high and quite special times — in certain Classical details (she is incapable of letting pieces, for example — she can anything go slack).

The simplest nique of a high and quite special order, equal to the clatter and pieces, for example — she can anything go slack). pieces, for example – she can anything go siack). glitter of Granados's showy elab-seem to be too careful about Four of Mendelssohn's Songs orations but also to holding them keeping it on a correct leash. without Words glowed under sim-

and happiest results. Wedding," for example, was digiAfter Andrei Gavrilov's sour tally brilliant as could be, but
and excentrically choppy CarnaLarrocha's playful, tender inflecval just weeks ago, Larrocha's tions of the tune were the heart nonstration that faithfulness of the matter. Such thoughtful

forced, and the whole chain had a like the *Goyescus* of Granados, of harsh, macho edge too, an cumulative sense beyond the which she played three. They naturally she tamed that.

Even by Miss de Larrocha's stan-sum of its links. The Larrocha require not only creative empadards, her recital on Sunday was personality lit it all up without a singular pleasure. Beneath the the hint of a trick — nothing but blandly romantic in ordinary impeccable finish of her piano-distinct keyboard-colours, firm hands, full of subtle operatic posexpressive curve.

In just those respects "Los requiebros" - like "The Maiden and the Nightingale," which she must have performed a thousand times: how can she sound so spontaneous still? - was a marvel, with every burst of salon-dazwas timely. Delivered in big, the reach of other planists. though Larrocha's exposition was expansive tone, every piece was Nothing, however, displays the acutely characterised, none complete, inimitable Larrocha piece needs its deliberately harsh, macho edge too, and quite

Cuenod/Wigmore Hall

Richard Fairman

There seems little doubt that this recital must have set a record, at least locally. The Swiss tenor Hugues Cuenod has appeared at the Wigmore Hall before, notably in last year's Christmas concert, but at the age of 86 this appear-ance on Friday night marked his debut there in a solo recital. Nature continues to be onite remarkably beneficent to the age-

June 24-30 ald Stamm. Manon Lescaut has a cast led by Barbara Daniels as Manon, Robert Bork as Lescaut and Guiliano Ctannella (Des Grieux).

less M. Cuenod. Looking several decades younger than his true though, came from the most age, still elegantly tall and unexpected source. Some 50 years upstanding, he cuts a distin- ago the American composer guished figure on the recital plat- Theodore Chanler wrote Eight form; and if it is too much to Epitaphs to poetry by Walter De expect that the voice should have La Mare expressly for Cuenod, retained an equally youthful and half a century later neither sheen, there is at least plenty of music nor performance has lost

sheen, there is at least plenty of voice there and under reasonably good control. The lower notes wobble a bit, but the rest is firm and well projected.

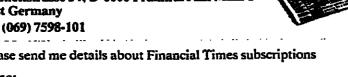
For a short group of mélodies by Fauré there was just enough real singing to get by, so long as one was happy for the words to take the strain whenever the grate. Satie's Le mort de Socrate is a favourite old Cuenod piece, grate. Satie's *Le mort de Socrate* piano duets by the same composis a favourite old Cuenod piece, ers, in which his partner was its urbane wisdom distilled with David Harper, filled out the proeffortless composure; and Poulenc's spoken *L'Histoire de Babar* showed that his eye for all that is more senescent in spirit would witty and camp is as sharp as ever.

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Arts Guide

OPERA AND BALLET

LONDON

Royal Opera (Covent Garden). The ancient production of Elektra is revived a final time to introduce to London Gwyneth Jones (in the title role), Helga Dernesch, Ruth Falcon, and Willard White. Gerd Albrecht conducts. The revival of the Elijah Moshinsky production of Lohengrin intended for Placido Domingo returns without him. Eberhard Buchner. Cheryi Studer and Gabriele Schnaut take the lead roles and Jeffrey Tate conducts. Moshinsky's stark production of Verdi's Macbeth returns with the original Macheth returns with the original baritone, Renato Bruson, in the title role, Elizabeth Connell as Lady Mac-beth, and Edward Downes as con-ductor – all in superb form. (240

Champs Elysées (47.20.38.37).

Paris Opera (Palais Garnier). La Celestine. A lith century Spanish tragi-comedy is the basis of Maurish Cohana's modern opera about a famous procuress. Alternates with

Norma conducted by Maximiano Valdes. Pier Luigi's production holds brilliantly the strands of the romantic tragedy. (47.42.57.50).

Lincoln Center Opera House. Paris Opéra Ballet dancing American pre-mières of works by Robert Wilson, Maguy Martin and William For-sythe. This three-week season fea-

Maguy Martin and William Forsythe. This three-week season features performances of The Nutcracker and Rudolf Nureyev's redashioned Swan Lake. Ends July 9. (362 6000).

WEST GERMANY

Berlin, Deutsche Oper. Carmen returns with Margarita Zimmerman in the title role, Emanno Mauro and George Fortune. Faust features fine interpretations by Nelly Miricioiu, Kaja Borris and Robert Hale. Götterdämmerung has a strong cast led by the Vinzing, Deborah Larson, Spas Wenkoff and Martti Salminen, and is conducted by Heinrich Hollreiser. Götz Freidrich's production of Die Hochzeit des Figaro rounds off the week (3-281).

Hamburg, Staatsoper. Faust stars Alberto Cupido, Ana Pusar, Simon Retes and Gino Guilleo. Die Zauberflöte features Heien Donath, Kurt Mall and Conducted Des Zille (40285).

beth, and Edward Downes as conductor – all in superb form. (240 1086).

English National Opera (Collseum).
Final two performances this season of Janacek's Cunning Little Vinen, with Anne Dewson and Norman Balley as vixen and forester, and Mark Elder conducting. Also in repertury: Fidelio, with Esthryn Harries, Grazme Matheson-Bruce and Neil Howlett, conducted by Kees Bakels. (836 3161).

PARIS

Cologue Opera (Theatre des Champs Elysées). La Gazza Ladra conducted by Ivan Fischer. This is a vivacious and colourful production which brings to life Rossint's mixture of comedy and pathos. The opera semi-seria is co-produced by the Paris Opéra and the Théatre des Champs Elysées (47.23.35.37).

Bright National Opera (Collseum).

Edy Ute Vinzing, Deborah Larson, Spas Wenkoff and Martti Salminen, and is conducted by Heinrich Holl-reiser. Götz Freidrich's production of Die Hochzeit des Figaro rounds of the week (3-331).

Hamburg, Staatsoper. Faust stars Alberto Cupido, Ana Pusar, Simon Estes and Gino Quilleo. Die Zauber-flöte features Heisen Donath, Kurt Moll and Fraz Grundheber. Der Filisgende Hollânder brings together Hildegard Behrens, Jose van Dam and Peter Meven. Le Notze di Figaro is a coproduction with the Salzburg Mozartenm. (351151).

Cologne, Opera There is a well produced and performed Artadne and National College. Opera There is a well produced and performed Artadne and Scott Reeve. Tannhäuser features William Johns in the title role, Wolf-game and Robert Hale. William Johns in the title role. Wolf whitam Johns in the line role, won-gang Brendel as Wolfram and Sharon Sweet as Elisabeth. Ein Sommernachtstraum was well received when it opened with Paul Esswood, Teresa Ringholz and Har-

(20751).

Frankfurt, Opera. Der Wildschutz is revived with Josefine Engelskump, Jerrold van der Schaaf and Eiste Maurer. Tosca is a wonderful Jean-Pierre Pouneile production. (2521).

NETHERLANDS

Rotterdam, Botterdamse Schouwburg.
The National Ballet with Four Schumann Pieces (Van Manen/Schumann), and the world première of new ballets by Nils Christe and Edonard Lock (Mon, Tue).
Scheveningen, Circus Theatre. The Xian ballet company from China perform The Soul of the Terracotta Army (Mon to Thur). (55.88.00).
Amsterdam, Stafeschouwburg. Latala

Amsterdam, Stafsschouwburg, Lalala Human Steps with New Demons, choreographed by Edouard Lock to music by Olle Romo (Tue to Thur). (24 23 11).

Saleroom/Antony Thorncroft Swiss geared to Gallé

and Christie's as an auctioneer of and considering the problems in the finest works of art, had its most prestigious sale to date yesterday in Geneva: it sold a primust be reckoned to be encouraging. vate collection of glass made by ing. the pre-eminent late 19th century maker, Emile Gallá.

glassware to appear on the market since 1914 and produced a there were some reasonable good total of SF7.5m (around prices for the most important fram.). Unfortunately the star item, the "Rhubarbe" coupe made in 1903 and probably Personnage, sold at the top of its collect most important greation.

Habsburg-Feldman, the Swiss amber glass with silver foil inclubased saleroom set up last year sions, also did well at SF460,000. With ambitions to rival Sotheby's There was keen Japanese buying.

On Sunday night Habsburg-Feldman held its most important It was the finest group of Gallé anction of Impressionist pictures, it was not a great success, but made in 1903 and probably Galle's most important creation, was bought in at SF1.1m — 180,000. A portrait by Marie Laurelion bid for the artist.

The top price was the SF500,000 paid for "L'gerbier maritime," an internally decorated vase, in aquamarine. "L'orchidée," an 190,000.

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Tuesday June 28 1988

Gorbachev's gamble

ONE OF the more reliable indi-cators of the mettle of a Western political leader must surely be his or her readiness deliberately to court unpopularity by telling voters painful home truths and standing by his or her convic-tions to the extent of persisting

with unpopular policies. Eastern bloc leaders who do not need to win general elections can, and do, get away with much more in this line. They must, however, be seen to be firmly in command, sustained by networks of supporters in key positions, masters of the art of manipulating and fine-tuning their party machines if they are to survive the machinations to which their

political systems are prone. So the spectacle of the most powerful leader in the East risking a public demonstration of his lack of support, of his mability to rig a conference and arrange resounding show of approval of his policies, is mind-boggling

Until the advent of Mikhail Gorbachev, the prospect of the Soviet Communist Party publicly repudiating its leader and his pol-icles was about as likely as that of the Conservative Party conference voting no confidence in Margaret Thatcher and calling for the introduction of central plan-

The Soviet party conference which opens in Moscow today, the first such forum to be convened since 1941, could turn into a landmark in Soviet history comparable to the 20th party congress of 1956, at which Khrushchev denounced Stalin and launched the first round of de-Stalinisation, sending shock waves throughout Eastern

Grass roots

This conference, to be attended by 5,000 delegates from local party organisations, is less formally structured than a party congress and cannot change the party rules. It is intended more as an exercise in involving the grass roots in the political process and rallying all levels of the party behind Mr Gorbachev's revolutionary programme of eco-nomic and political reform. It is difficult to assess from the

outside how big a risk Mr Gorba-chev is taking, and to what extent the outcome is genuinely use of publicity.

open. Certainly, the preliminary skirmishes over the selection of delegates, which apparently pro-duced an uncomfortably large weighting of conservatives and opponents of reform, are open to differing interpretations. It may be that Mr Gorbachev found it more important to stand back and demonstrate his commitment to more democracy in the party than to have things entirely his own way at the conference; or it may be simply that the skill with which be installed his supporters in key positions in the upper ech-elons of the party in his first year as general secretary is less effec-tive further down the hierarchy.

Dramatic impact

it is hard to see how he could recover politically. But the Soviet leader has recently evinced signs of a growing appetite for stirring up ideological hornet's nests and forcing his people to re-examine their most deeply rooted assumptions.

Perhaps even more significant is the willingness of that leader-ship to allow political differences at the top of the hierarchy to be aired in public, to be fought out in the letters columns of the neuroness even on topolicies. newspapers, even on television. Glasnost, usually translated as "openness" but more accurately rendered as "publicity", is a new phenomenon, as baffling to us in the West as to the average Soviet citizen; but we have already seen that the West, for all its years of

FINANCIAL TIMES

THE OUTCOME of negotiations over prices between British Telecom and its regulator, the Office of Telecommunications (Oftel), will be important not only.

BRACKEN HOUSE, CANNON STREET LONDON EC4 P48Y BT's profitability, but also for the way in which monopolies are regulated in any country.

Agreement on a new formula for regulating the telephone monopoly's prices is due to be reached within the next week, otherwise the Monopolies and Mergers Commission will be brought in to arbitrate.

The settlement's importance lies in the fact that when BT's regulatory structure was put in place four years ago, the Government pionesred a new ago, the Government pioneered a new method of monopoly regulation. Instead of capping profits — a method used to regulate private sector monopolies for many years in the US — it chose to cap prices. Under the so-called RPI-X formula, BT was prevented from putting up its prices by more than the rate of inflation less X per cent. In other words, BT was told to reduce its prices by X per cent in real terms each year. X's level depended on the gains BT was expected to be able to make by installing new technology and aliminating waste.

waste.
Since then the price cap approach has won many admirers. An RPIX+Y formula — with Y standing for increases in energy costs — was used when British Gas was privatised and a similar system is likely to be adopted for the electricity industry. Further afield, the Federal Communications Commission, which regulates US tele-communications, is planning to replace its present profit cap with a price cap. Offel has seen a steady stream of visi-tors, from countries such as India Japan and Australia, who want to learn

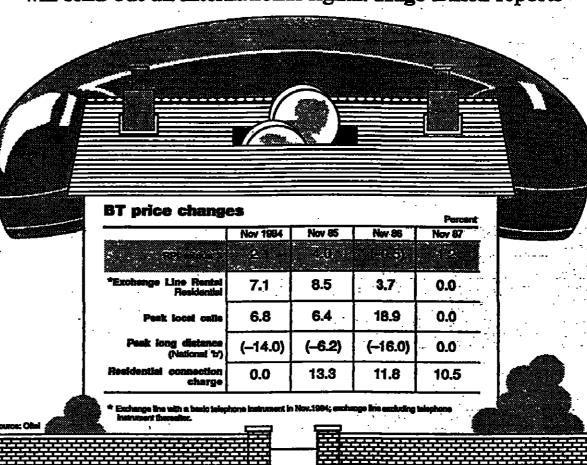
In any case, the decades of concealment of internal party disputes and factional struggles have given the present cold war which originally recommended the between reformers and conserva-tives a dramatic impact which may be out of all proportion to its real significance in terms of party unity and stability.

If the conference should give Mr Gorbachev and his programme a resounding raspberry. If the conference should his programme a resounding raspberry. If the conference should be a further advantage was that administer-gramme a resounding raspberry.

formula is reviewed, the regulators The rehabilitation of the Old Bolsheviks executed by Stalin; the re-evaluation of Soviet history; the public questioning of the infallibility of Lenin; advocacy by some of Gorbachev's closest advisers of a shift of power from the party towards elected bodies: these all suggest a supremely confident leadership.

Perhaus even more significant title could be minimised if it were tive could be minimised if it were understood that the review would allow BT to keep some of its extra profits.

The results of Oftel's review of British Telecom's charges will send out an international signal. Hugo Dixon reports



BT: clearing the line on prices

ather than having them automatically fed back to the consumer. The past four years should have shed some light on this issue. But Mr Carsberg admits that his belief in price caps is founded on a general feeling that the system works, rather than on concrete examples of improved efficiency. Mr examples of improved efficiency. Mr lain Vallance, BT's chairman, says the

benefits have "a lot to do with an atti-tude of mind".

Nevertheless BT, Oftel and the con-sumer bodies agree that price caps are preferable and so Oftel's review has revolved around three main questions: What should X be?
At present, it is 3 per cent, but con-

sumer bodies argue that this allows BT to make excessive profits — the pre-tax figure for 1987/1988 was £2.8bn. They say X should be 4 or 5 per cent. The only indication Mr Carsberg has

given of what he considers acce was his pronouncement that the £1.85m profit of 1985/86 — a nominal return on capital of 19.5 per cent - was not excessive. This figure has now crept up to 20.7 per cent. The stock market is expecting X to rise to 4 or 5 per cent, says Mr Stephen Owen, an analyst with James Capel, who estimates that for each 1 per cent increase in X, BT's pre-tax profits will fall by £50m. Which prices should be capped?

A mixed reception for the US price-capping proposals

that only the prices of those services in which BT has a monopoly need be regu-lated, others can be determined by the free market. The problem lies in deciding which services have sufficient com-

At the moment, only the prices of local calls, long-distance calls and residential line rentals are capped. But it now seems that the Government was over-optimistic about the speed with which Mercury Communications would start to compete with BT. It is only now beginning to make a significant push for market share. The continuing lack

why residential and business customers are pressing for more services to be

are pressing for more services to be capped.

The main complaint of residential customers is that BT has increased its connection charges by 40 per cent since 1984. The business community is worried that prices of private circuits are shooting up, although there is a dispute about how quickly they have been rising. BT is resigned to the fact that connection charges will now be capped, but it is putting up a fight to prevent the capping of private circuits.

Mr Brian Reynolds, telecommunications manager at Courtanids, claims that competition from Mercury in providing private circuits has been patchy, but Mr Vallance says that there has been more competition in this area than in almost any other and to cap it now would be "a recognition of a failure of competition policy". Oftel is believed to be backing the business community.

community.
Should there he individual price caps?
The RPI-X formula applies to a basket of BT's services rather than each net of his services rather than each individual service. As a result, the price of some services can shoot up so long as there are compensating falls elsewhere in the basket. The rationals was to allow BT to "rebalance" its prices which were often out of line with costs at the time of minatication.

which were often out of line with costs at the time of privatisation.

Consumer groups, which have seen the price of peak-rate local calls rise by 35 per cent since 1984, even though the service is included in the basket, are now calling for individual price caps. "They've been telling us for seven years that they're rebalancing," explains Mr Bill Meiran, chairman of the Telecoms Users Association. "It should have finished." should have finished."

But Mr Vallance contends that because of technological changes, costs continue to shift and so rebalancing will always be needed.

When it comes to describing the pro-When it comes to describing the process by which BT determines prices, Mr Vallance is rather vague. The procedure is a "bit rusty" and requires a certain amount of "artistic licence", he admits, because there is no single way of allocating costs to individual services. Nevertheless, he is adamant that the imposition of individual price caps would be a step towards a strait-jacket and what had previously been "renowned as a sensible system of regulation would fall into disrepute".

How Oftel answers these three questions will help determine whether BT's customers or its shareholders get the better deal between now and the next review in about five years' time.

review in about five years' time. If Oftel keeps X at 3 per cent and decides not to change the composition of the basket, the shareholders will

If it plumps for a higher value for X and individual price caps covering a larger number of services, the customer will be the immediate beneficiary. Equally importantly, however, Ofici would be sending out an international signal that a more heavy-handed approach to regulating monopolies is needed than was envisaged when price caps were originally adopted.

regulatory system for long-distance telephone lines hinges on the short-comings of the present rate-of-return

Under the rate-of-return regime, the costs of different services are analysed and tariffs fixed to achieve a pre-de mined profit margin — 12.2 per cent in the case of American Telephone and Telegraph, the dominant long-distance carrier. This process, say the critics, encourages over-investment in current services - known familiarly as "goldplating" – along with a hyper-cau-tious approach to new products.

THE thinking behind the US Federal Communication Commission's recent

"Rate-of-return regulation does not distinguish between profits that are

generated by monopoly price behaviour and profits that are generated by socially desirable economising and innovative activity, the so-called entrepreneurial profit," says Mr Dennis Patrick, chairman of the FCC. "By not allowing for the possibility of entrepreneurial profits, it may keep service costs, and thus prices to customers, higher than they need be."

Mr Patrick's plan to replace the

Mr Patrick's plan to replace the rate of return criteria with price cap-ping for the regulated long-distance carriers - AT&T and the long-distance nies - is now in the middle of a cru-cial discussion stage. The industry is being asked to react to a list of propos-als which sound uncannily like the regulatory system developed in the UK:

Prices to be regulated would be divided into two main groups, or "bas-kets", one covering the public tele-phone network, and the other private lines leased out to business customers. There would be an annu in prices by the rate of inflation, but this figure would then be reduced by 3 per cent to take account of productivity improvements. This "consumer productivity dividend," as Mr Patrick calls it, has been arrived at by taking the industry's historic rate of productivity improvements, estimated at about 2.5

point as an incentive to additional productivity improvements.

• Within the baskets, the operators could charge for different services with a great deal of flexibility, although both individual increases and individnai cuts would be subject to a maximum rate of 5 per cent. This would help make regulation less intrusive • Operating companies could chose to stay with the traditional rate-of-return

system of regulation if they wanted. Mr Patrick claims that a switch to the price-capping method could reduce telephone rates by \$1.5hm in the US' over four years. He still has some way to go, however, to convince his critics to support the proposed change. Conside, is sceptical. Other members of the Commission are not overwhelmingly enthusiastic and customers are wor-ried about the fiexibility the system would give the operators to change

Among the operators, there has also been a mixed reception. AT&T, the company most affected, has so far said nothing, while some of the rural network groups have volced reservations about their ability to achieve 3 per

The perils of fast growth

ONE OF the disconcerting features of fairy tales is that wishes consumers' expenditure will rise tures of fairy tages are granted, but not quite in the way they are hoped for. Not so long ago, after all, the UK Tressury and the Bank of England made clear their desire to see a lower exchange rate and higher the combinative combinative that inflation remains the sole DM 3.18 and 7.5 per cent of May 18. After the appouncement of a in May and £4.7bp in the first five months of the year, would they have preferred to have had their wish left ungranted?

They can certainly not complain about the willingness of both the UK and world economies to provide them with what they want. The strengthening of the dollar is pos facto a deprecia-tion of starling. The dollar's strength has also encouraged higher interest rates in Germany, so permitting the UK to have higher rates as well. Meanwhile, the strength of UK

demand is generating a current account deficit quite sufficient to indermine confidence in sterling at the interest rates prevailing only a month ago. The first five months of the year have already seen a delicit larger than that expected, at the time of the budget, for the year as a whole.

The current account

It would be wrong to complain the authorities have enjoyed the combination they desired. One can have markedly higher interest rates than one's competitors only if the market expects the currency to depreciate. But a competitively-valued currency will not be expected to depreciate unless either a deterioration in bouse purchase could usefully be ness is a two-way street, he says. competitiveness or a significant deficit in the external accounts is More fundamentally, the hope

More important, the current released yesterday show that real level a year earlier, though only small - and welcome - recovery Maybe, the fairy story will have a in the savings rate). The London happy ending after all.

consumers' expenditure will rise

suppressed. At present the sole instrument remains the short term rate of interest, which must achieve two objectives: control over money and credit and avoid ance of exchange rate deprecia-

Interest rates Does the current account defi-

cit matters in itself? Experience suggests that countries cannot run current account deficits without limit, but this may be because of the fear of currency depreciation and exchange controis, which imply special risks to may even be the best way for a prolligate nation to finance the

cal adjustment. A Chancellor as than most from European inteimaginative as Mr Lawson could gration so far, he declares: surely find a way of tackling the "We're good, so what?" concern about excessive drinking, while - quite incidentally - that Bonn could be worried about raising more revenue. Even VAT harmonisation may look a little industries after 1992; for instance, bit more attractive than before, while incentives to borrow for cross border takeover bids. Open-

must be that private savings wil continue to recover spontane valve for the economy. Figures private sector's dash for growth would turn out to work where consumers' expenditure in the similar public sector efforts have first quarter of 1988 was more failed. The external deficit would than seven per cent above the then be no more than a welcome release of transient pressure. The 1.3 per cent above the level in the Chancelior of the Exchequer has last quarter of 1987 (because of a been a lucky man in the past.

Bonn's man of the moment

■ An important portion of the laurels for West Germany's suc-cessful six months' period as European Community President this year must go to Lutz Stavenhagen, Bonn's state minister in the Chancellor's office.
Bespectacled and bristling with

confidence, Stavenhagen has become a key figure in the circle of advisers around Helmut Kohl. Now 48, Stavenhagen was brought into the Chancellery from the Foreign Ministry to take over coordination of European affairs and add pep to the Kohl

His occasionally brash manner can test the nerves of his former department and has sometimes led to a confusion of roles with lending across frontiers. In the present case, the borrowing may yet turn out to be benign, provided inflation and depreciation are avoided. The external deficit may even be the best way for a months for the Commission's modificate nation to finance the plans for a full internal market

needed expansion of investment.

For the moment the government is getting what it wants in ture of the economic advantages the only way it can. Further of the internal market pro-increases in interest rates are probably on the way. Some As for the idea that German thought may also be given to fis-exporters have profited more

Stavenhagen rejects the notion that Bonn could be worried about from the threat of unwanted East Germany on the eve of the second world war, Stavenhagen
- a CDU deputy in the Bundestag since the early 1970s - keeps an eye on Eastern Europe. Stronger links between the Commu-nity and the Communist states, underlined by the latest signin of an accord between the EC and Expensive places conecon, could help build Expensive places bridges across the divided Ger- Surveys of the world's most man nation, he says.

OBSERVER

tions between Bonn and the Federal States or Leender. And in Hanover yesterday, when Kohl was basking in general praise over the German Presidency, Stavenhagen may have had less pleasant thoughts on his mind. Hanover is not only the venue of the EC summit but also the capital of the steer of Leven Server. tal of the state of Lower Saxony, which has threatened to vote against the Government's tax reform bill in ten days' time in the Bundesrat unless Kohl makes concessions on regional aid.

Divine interlude ■ Dublin's barmen are threaten-

ing to go on strike. They object to new legislation which will do away with "The Holy Hour," the non-alcoholic segment of the Dublin day when the city's hars Duhlin day when the city's bars are required to close their doors. Barmen say they are already overworked. They are after substantial compensation for what will be in effect a non-stop day slaving at the pumps and optics from 10.30am till 11.30 pm.

The Government says the Holy Hour is old fashioned and confusing to bourists. It was introduced. ing to tourists. It was introduced in the early days of Irish independence "to disturb the long sitter". In practice, it has been open to numerous abuses. Drinks would often be ordered in advance to through a potentially thirsty part of the afternoon. A nod, a wink and a beckoning from the bar-man and a magic snug would be

opened, well away from the policeman's eye.

"Ah yes," said a French visitor,
"the Holy Hour. That is when
you go in the door at the back."

man nation, he says.

Stavenhagen also has responsiwarily. Exchange rates change, bility in the Chancellery for rela-



how much you spend depends on how well you know your way

tional of Geneva has had another go at it. Taking New York as a base at 100, the most expensive city in the world is now Tokyo which comes out at 221. Osaka/ Kobe is not far hehind at 219 and Tehran comes next at 192. The cheapest is Caracas at 38 and indeed life seems to be relatively cheap throughout much of Latin America. Buenos Aires comes out at 43, Rio de Janasiro at 51 and even Mexico City is only 64, which means that 55

more expensive. The most expensive city in Europe is Oslo (152), closely followed by Zurich, Geneva and Hel-sinkl. The figure for Paris is 125 and for London 123, which means that both of them scrape into the top 20 world-wide. Nearly all the US cities cluster

major cities around the world are

around the 100 mark. Riyadh looks cheap at 88. Moscow is 99 and Peking 94.
The most interesting develop-

ments, however, seem to have been going on in French-speaking Africa. Brazzaville, Libreville,

Abidjan, Dakar and Lomé are all in the world's top 10. The main reason is the strengthening of the Central African franc which is pegged to the French franc. The days when French economic policy was based on periodic depre-ciation of the currency are over.

Working Prince

The Prince of Wales is seeking business advisers for some of the 6,000 young people who have been helped by his Youth Business Trust.
The PYBT, set up two years ago, helps 18 to 25-year-olds who

ago, heips is to 22-year-ons who are out of work or in some way disadvantaged by providing loans or grants for new businesses. It has an 80 per cent success rate with its businesses, but many of the infant enterprises need advice on matters like VAT and accounting stock control income tax and legal matters, and mar-keting. Volunteers with experi-ence are being asked to spare an

their expertise. Graham Wray, 23, a partner in the Liverpool firm, Willy Wipers, which has a turnover topping £100,000 supplying wiping rags to industry, said his company could not have started without the Trust's help. "Everybody needs a rag." said Wray, but not everyone was convinced of this in the early

days.
"The Trust holds shows where we have a stall," he went on, "but though there are plenty of hangers-on nobody seems to want to buy from us. The word has got round that the Prince tends to stop at our stall because he knows us and a crowd of beforehand then disappear when

he's gone.
"What we could really use is a sort of small business club in which we could exchange ideas and problems."

Boring beasts

Heard from a small boy at Whipsnade Zoo: "I'm sick of looking at wolves and deers and things! When do we get to the

cent productivity increases.

Bell Atlantic, on the other hand, operating in an area of considerable population density, is enthusiastic. "This will give us an incentive to invest in risky new ventures," says Mr Philip Campbell, chief financial officer. "When you are looking at innovative businesses which have the potential to return 18 per cent or nothing at all, you need to be given the opportunity to succeed."

Terry Dodsworth

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an alarming manner, offering

only the sketchiest accounts of meetings he had attended in Pan-

From The Reperend Konnoth

Sir, Your leader (June 23) "The sir, Tour Paner (June 23) The limits of discrimination" makes some valuable points which need emphasis, and at times it over-simplifies in a potentially confus-

ing way.
You rightly support special provision to counter racial disadvantage; rightly point out that action so far has not greatly effected the economic position of black people; rightly criticise government ministers for simplistic and harmful with the provision of the counter of the counterpolicy of the counterpoli plistic and harmful utterances; and rightly condemn the damage to black family life by immigra-tion legislation. However, there are three aspects of the attack on discrimination and disadvantage which need emphasis and clarifi-

It is not enough to say that "the UK is a country whose social order has been formed by the fissures of class rather than race" (my italics). It is as mistaken to reduce class to race, or race to class, as it is to make a

Financial Services Act was a spu-

rious accolade of respectability. Within weeks, Fimbra (the Finan-

cial Intermediaries, Managers and Brokers Regulatory Associa-tion) members have lost millions

in clients' money with Barlow

From Ms Vanessa Fry.
Sir, Joy Townsend (Letters,

June 22) contests the conclusion of our recent tobacco study

reported in your Observer col-umn (June 13), that "the price of cigarettes affects the amount

which smokers spend, but not

The Institute for Fiscal Studies

(IFS) is primarily interested in taxation and how it affects the welfare of households and their

spending patterns. For these pur-poses the Family Expenditure Survey, on which our report was

based, is the only reliable data:

source. The "excellent data ... on individual smoking habits"

from the General Household Sur-

vev which Mrs Townsend would

much money people spend -

goods. A proper analysis of the effect of price on smoking is

impossible without this informa-

Both our report and the accom-

panying press release make it clear that the analysis is based

on household data. The two

charts which figured prominently

in our press release are clearly headed: "The percentage of

households containing at least

one smoker." Moreover, our

report nowhere suggests that those on low incomes are taking

up smoking, but that the sorts of

households most likely to contain

smokers are now worse off, rela-

tive to the average, than they were in the early 1970s. Wider factors such as unemployment

are likely to be responsible. The consequence is that tobacco taxes now bear relatively more heavily

Our conclusions are based on a

comprehensive and systematic

analysis which tells us a great

deal more about household spending behaviour - and hence the likely response to price changes - than the sort of piece-meal and circumstantial evidence

cited by Mrs Townsend. For although — as she says — the number of smokers fell when the price rose between 1972 and 1986, the number of smokers also fell

when the real price was falling, for example between 1972 and

This kind of debate by selective use of statistics does nothing to

advance knowledge. Our analysis, by contrast, goes to considerable lengths to control for all the

factors other than price which may have affected decisions

about smoking. It is not our fault that the data does not come up with all the results that Mrs Townsend would have liked to

on the poor.

have us use does not tell us how

Debate by

statistics

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Letters to the Editor

'Racism is indivisible'

be ignored.

It is true that "positive discrimsharp contrast between them. ination on race grounds has clear equivalents of the American 178 North Gower Street, NW1

place all my business. (Of course

there is little point in seeking this information if nothing is to

From Mrs Christine Cuming.

Sir, I read Leslie Colitt's article

about the Berlin Airlift (June 21)

with great interest. I was in Ber-lin at that time with my father,

General Sir Brian Robertson, then head of the British Military

You may be interested to know

conclusions, and of issuing a mis-leading press release. Her criti-cisms are ill-founded.

The comparatively junior British air-man called Group Captain Brian

Leighton Buzzard, Bedfordshire

Government in Berlin.

which shokers spend, but not the decision to give up smoking." that the first person to suggest have been.)

She accuses us of overlooking a that Berlin could be supplied by Christine Could be supplied by

data set which casts doubt on our air was not an American, but a Hill Form,

be done with it.)

Race and class are not the same, limits." The work of Professor but they are intimately connected.

William Julius Wilson in Chicago has shown conclusively that positive action policies have benefitive action policies have benefitive.

lation of the inner city. Kenneth Leech, In British cities there are no The Runnymede Trust,

urban ghettos: what we have are areas of acute deprivation and poverty involving people of all colours. The limits of positive action on race to deal with this situation must not be distorted into an attack on the limited yet significant achievements (which the Runnymede Trust docu-mented recently in Elizabeth Burney's report, Steps to Racial Equality; Positive Action in a gative Climate) and the need to build upon them.

Finally, it is necessary to reit-erate that the ideology and prac-The lesson to be drawn from their interconnectedness is that all anti-racist activity must be set within the context of the attack on class division and class oppression. That was the underlying message of the MacDonald report on Burnage which was obscured by much media coverage. Yet colour has added new and specific dimensions to class and social divisions which cannot be ignored.

The lesson to be drawn from tive action policies have benefited as have benefited mainly the aspiring black middle class, while the conditions of the black poor have deteriorated markedly during the very years in which positive action at the deotogy and it committees the conditions of the black poor have deteriorated markedly during the very years in which positive action has been most successful. But from within Britain. As long as "good race relations" is linked with tight, race-specific controls on entry, the credibility of government action against discrimination of the inner city. tice of immigration control undermines attempts to combat racism within Britain. Racism is indivisible. Racial discrimination

Nobody seems interested in starting with basic principles

From Mr P.W. Moran.

Sir, Barry Riley's article
"Smart Money, Shabby Advice" tions about our accounts I (Weekend FT, June 18) was particularly interesting in the way it linked Signal Life of Gibraltar.

We handle no clients' money it my firm went bankrupt with Barlow Clowes of Gibraltar.

Veril 4 to 100 to 10 believe that this qualifies us to business and put our own house move existing capital from A to in order we would have avoided I said (in 1976) that the Insurance Brokers Registration Act was a spurious accolade of respectability. Within months, registered brokers had lost millions in clients' money with Signal Life. I said (in 1987) that the partners have declared substantial unencumbered personal complete information on where I place all my business. (Of course light and the partners have declared substantial unencumbered personal complete information on where I place all my business. (Of course light and the partners have declared substantial unencumbered personal than the partners have declared substantial unencumbered personal complete information on where I place all my business. (Of course ticated clients who inadequately understand that B is more speculative than A.

We have been lucky with a bull market and high interest rates, but Signal Life and Barlow Clowes are not the end of the story. They are the beginning. In due course most unit linked pen-sions and single premium bonds may cause widespread dismay.

Life and pensions brokers should not be in the business of only hands out spurious respect-capital investment at all. Our job ability — and tilts at windmills; it also excurreces the partitions is to persuade people to make it also encourages the part-time Health and S sacrifices now, in the form of amateur. In future it seems that P.W. Moran, It is a constant source of new savings, so that smaller sac-amazement to me that nobody rifices will be necessary in old seems interested in starting with age. When we perform this func-

armoured train. Goodness knows

Christine Cuming,

Airlifted back to the past

GO ON, TRY ONE,

WHO CARES ABOUT

MANN OF THE PARTY OF THE PARTY

PRODUCE OF

MASSACHUSETTS

Apple of an American eye

apple exports. We are very hope on fresh apple imports would be ful that this ban will not be rein-

ensure that British consumers can continue enjoying some of the finest apples produced any-

Cashing up to value

stituted this coming crop year, to reinstituted.

We have been promoting this fine Massachusetts product in Midlands and Scottish supermar-

kets. We are concerned that Brit-ish consumers would continue to be denied this high quality, fair-

ly-priced fruit of our orchards.

We in Massachusetts consume

food products - such as French pears, Dutch peppers, tomatoes and flowers, and Italian radic-USA

many EC fresh and processed

From Mr Damian O'Malley.
Sir, Lex's article about "brand values" (June 20) refers to the need to assign a cash value to brands as a necessary precursor to assigning a value to marketing and advertising.

In advertising agencies we preach that advertising is an investment and yet, in truth.

preach that advertising is an investment and yet, in truth, there is no method of assessing the return on that "investment." A brand's value is the stream of future earnings which can be expected from that brand. This should be calculated by multiplying current net conving by the

Asilly old ec ban?

I am not suggesting that if we had concentrated on our own all this ineffectual bureaucracy. But at least we would have had a better case. I am not suggesting that nobody else has ever recom mended Barlow Clowes. But that is no business of a life and pensions consultant, broker, IFA, or whatever we are calling our-selves this week.

I gather some investors in Barlow Clowes UK may try to sue the Department of Trade and Industry. I wish them luck. If they succeed, perhaps the mil-lions of people who lost on Serps could then sue the Department of Health and Social Security.

212 Portland Road.

SA voting patterns follow tribal lovalties Yarde, then in command of

Gatow. He managed to convince the UK authorities that it was possible to supply Berlin in this fashion. They in turn convinced From Mr Otto Snel.
Sir, The opinion expressed in your editorial (June 15) to the effect that western governments have no option but to "do busi-ness" with the African National Congress (ANC), lacks underthe Americans. (General Clay wanted to break the blockade by approaching Berlin with an standing of African tribal thinkwhat the result of this would

Black African "liberation" his tory has repeatedly shown that black voting patterns have fol-lowed tribal loyalties. The ANC, with its present Xhosa-dominant leadership, is unlikely to have much support among South Afri-can tribes other than the Xhosa, which makes up 12 per cent of

SA's population. Paradoxically, the Colonreds (11 per cent), whose principal home language is Afrikaans and who mostly ally to the White tribe, and the whites (19 per cent), make up the largest grouping. The Zulu (23 per cent), well organised in Chief Buthelezi's lnkatha movement, may also have the backing, for historical reasons, of some of the smaller

These two groupings are, there fore, much more representative of South Africa than the ANC Western governments which deal with the ANC as the "sole repre-sentative of South African black opinion" may well be backing the From Mr August Schumacher Jr. chio, not to mention British stil-Sir. The recent European Community (EC) ban on imported fresh apples has adversely affected Massachusetts McIntosh arbitrary and capricious barrier

Otto Snel, 21 Warwick Mansions, Cromwell Crescent, SW5

Tax relief would widen the market

From Mr Anthony J. Byrne.
Sir, It would seem that Treasury calculations, estimating the consequences of granting tax relief to health care insurance subscribers, are based on the assumption that average sub-scription rates are about £300pa.

This is not the case. Employer

schemes may run at this level, but for individual subscribers the cost is about £500 per year. This means that if tax relief is intro-duced, individual contributions to the total spending on health care would be higher than Treasury figures show. These esti mate a deadweight cost of about own sector, the prospects for the sector and the competence of the brand's managers.

2200m for granting tax relief to sector and the competence of the brand's managers. The return on advertising paid by individuals – about £375 "investment" would be calculated per year after tax relief – only by its short term effects on cur- 600,000 extra subscribers are rent net earnings and its long term effects on the brand's p/e.
We have no "brand market" to help us calculate the brand's p/e existing subscription levels on a day to day basis (as the stock market does for company p/ e's), but we are looking for a subscriber and the reach of a larger potential market than at present. The number of subscribers would easily double.
Anthony J. Byrne,
Independent Hospitals Associa-

est, but (using econometric model-ling).

Damian O'Malley,

Woollams Moira Gaskin O'Mal-Africa House 64-78 Kingsway, WC2

vanessa Fry, ing current net earnings by the Volumes Moira Gash brand's own price/earnings ratio (p/e), a factor which would reflect the strength of the brand in its 12-13 Greek Street, W1

'With profit' contracts are part of the range of insurance

From Mr W.N. Anderton. Sir, Mr Ranson's letter (June 16) about the bonus philosophy of insurance companies highlights the need to look at the consistency of approach in such a philosophy, as well as a company's "free assets" — a measure alongside any "hidden" free assets — which are available for future carnings and distribution. What also must be borne in mind is the need (within the insurance industry) to keep "with profits" insurance as a fundamental part of the range of insurance and stands the cost of the downs. Life insurance offers more than its life cover. It offers a wide degree of investment choice; and general reduction in bonuses, ought to be centred on the equity — or not — of the distribution to the mortality and the investment risk ought to be centred on the equity — or not — of the distribution to the mortality and the investment risk ought to be centred on the equity — or not — of the distribution to the mortality and the investment risk ought to be centred on the equity — or not — of the distribution to ought to be centred on the equity — or not — of the distribution to the mortality and the investment risk by sureading the return evenly (and fairly) or a wide range of policy holders within the life that people will not be seen as an expression of the impression that with prof. It is business is declining in popularity because of fears that a low the investment risk by spreading the return evenly (and fairly) over a wide range of policy holders. With profits contracts, and continuing to offer insurance oughts to be centred on the equity — or not — of the distribution to an other. The free assets retail a low to be centred on the equity — or not — of the distribution to the distribution to the mortality and the investment risk by surealing the policy holders within the life that people will the policy holders within the life that policy holders. This is

very well why we are so con-cerned with this problem here in Massachusetts. We hope the appropriate EC officials might take heed, and restore the ship-ment of our quality McIntosh

fruit to British apple aficianados.

August Schumacher, The Commonwealth of Massachu-

Leverett Saltonstall Building,

Government Centre, 100 Cambridge Street,

THE WHIMSICAL New Year predictions of Daniel Schorr, a vet-eran US reporter, included the following: November: Democrats fail to field presidential candi-

date; George Bush runs unop-posed . . . and loses. This pretty much reflected the conventional political wisdom of six months ago that the Demo-crats were in a mess and that the Vice President would be an awful candidate. The rise and rise of Michael Dukakis, the Governor of Massachusetts, has mostly changed the first part of that view, especially after his apparently successful management of both his party's platform commit-tee and the Rev Jesse Jackson, in

Denver over the weekend.

But the perception of Mr
Bush's shortcomings has
extended well beyond Washington insiders to the country at large, to the point that Mr Schorr's original proposition has been reversed. The belief now is that Mr Dukakis could easily be beaten if only the Republicans could find someone to run

against him.

During two weeks in the US, covering California, New York and the nation's capital, it was hard to find anybody, including Republican faithful, with much confidence in Mr Bush's powers for the confid of recovery from his present deficit of upwards of 10 points. Because Mr Dukakis is no ball of fire and because local, rather than national, issues will be determining factors in many states, the forecast is still prevalent that the election will be, in horserace parlance, "down to the wire". But much smart money is now on Mr Bush finishing second mostly because he is proving so difficult to know, like and trust.

Mr Dukakis's thoroughbred credentials are not yet proven a suspicion that Mr Dukakis, so always been notoriously short controlled so far, does not suffer and his back-handed endorse-fools gladly and might be goaded into uttering something very was an embarrassing joke.

The desired transfer of the sampaign;

What ought to be Mr Bush's conservative control to the sampaign;

The desired transfer of the sampaign;

The desired George Will, a conservative greatest asset is the sense of con-American commentator but no fidence that his long experience fan of Mr Bush, thinks the Gover-at the highest levels of governnor may come to be seen as a ment should bring. Yet he seems

"nag". Mr Dukakis's record in Massachusetts, especially the unhappy circumstances of his first term and defeat, is going to be put "Ronald Reagan creates the illumder a microscope and a fair sion that he is in command even amount of inevitable dirt will be when he isn't. Bush creates the illusion that he isn't in command in the command that he isn't in command isn't in command the isn't in command the isn't in command that he isn't in command the interval isn't in command the isn't in command the interval isn't in command the isn't in command the interval isn't in command the interval isn't in the interval isn't in the interval in the current current in the interval in the magnified for public consump- illusion that he isn't in command tion. Finally, it may be true that even when he is. This lack of the whole country, and not just authority is sensed by voters — the Deep South, is still suspicious especially women, with whom he of Harvard "liberals". However, lags 28 points in the polls."



Why Bush

is not in



meetings he had attended in Panama and Israel and pleading that he did not have his notes with him. One typical answer ran, in part, as follows: "Is the Vice President, or the President, supposed to know of every inquiry, every case that is being looked at? I'd say no. But did I ever hear any rumours? Maybe (I) heard some rumours, but I learnt long ago, particularly in intelligence, you don't deal just in rumours." Acceptable, perhaps, in its own right, but — multiplied 25 times in an hour long interview — confidence was not inspired. fidence was not inspired.

It also ought to concern Mr Bush that he is becoming too much the butt of America's comics and cartoonists, much as President Carter did in his last year and much more than Mr Dukakis is. A favourite target is his use of language, specifically a tendency indiscriminately to mix his perfectly natural argot, that of the New England upper clas-ses, with an entirely alien vulgarity of expression. In Washington, one Democratic Senator could not stop chortling after Mr Bush had described Mr Dukakis as "naughty", simply because he had used the adjective in Texas where it is not part of the standard vocabulary. Similarly, his mache comment after his TV macho comment after his TV debate four years ago with Geraldine Ferraro, the Democratic vice presidential candidate, that "we kicked a little ass," is now returning to haunt him, especially with the candidate of the control of the candidate of the cand cially with women.

Indeed so severe is the "gender gap" that some believe that Mr Bush should name a woman to run with him. Elizabeth Dole, a former Reagan Cabinet member and wife of the Senator from Kansas, Senator Nancy Kassebaum, also from Kansas, and Sandra Day O'Connor, the Supreme Court Justice, all have impressive credentials. Indeed there are probably more Republican women with the necessary qualities than there are in the ranks of the Democratic Party, which is more publicly commit-ted to equality for the sexes. The trouble, however, is that such a choice might smack too much of desperation, as Mr Mondale's selection of Ms Ferraro indisputably did in 1984.

The contest is far from over Mr Bush has imported some hard-nosed media professionals, including Roger Ailes, who did so much for the selling of Richard Nixon in 1968, to bring a sharper focus to his campaign. As it stands at present, they will have their work cut out. For George Herbert Walker Bush may well be, as his friends insist, a decent, honourable, knowledgeable man but the national impression is have expected, as Mr Koppel said at the outset, a "free ride." But he could have prepared better. As it was, he ducked and weaved in there there."

command

Mr Bush, who went to Yale, really did stretch credulity by trying to instruct the nation on the differences between these two respect it was his performance great Ivy League universities. He three weeks ago on the excellent would have been better under- late night ABC television prostood if he had simply asserted the one undeniable truth, that the pizza is better where he went to school in New Haven than it is in Cambridge.

Take fight ABC television prospective formula and in the night ABC television for the fight and in the pizza are fight ABC television for the fight and in the pizza is better where he went to school in New Haven than it is in Cambridge.

A presidential election is, after guard against it. History shows all, at least as much about contrasting personalities as it is includes the Nixon-Kennedy about policies and tactics and for debate in 1960, Edward Kenne-

Jurek Martin explains why US voters are finding it hard to like the Vice President and it is easy to draw up a list of
weaknesses which could well be each doubt about Mr Dukakis dy's unconvincing meanderings
exploited: it is not clear whether there seem even larger ones about why he wanted the presi-

short Greeks who wear suits and about Mr Bush. This should con-wing-tip shoes while talking to cern the Vice President because surfers on Malibu Beach have he has few inherited advantages instinctive political feel; to the beyond the continued strength of extent that Americans care about the economy. Detente with the foreign policy expertise, his lack Soviet Union is, after all, tradiof it, and doubts about the qualtionally a Democratic, not a ity of some of the advice he gets, Republican, policy issue. Presido not entirely reassure; there is dent Reagan's coat-tails have

dency in 1976 and Gerald Ford's inability to speak intelligently about Poland later that same year. In the UK, Neil Kinnock's latest excursion into impromptu televised policy-making demonstrated the perils, as well as the power, of the medium. The Nightline appearance was

instantly notorious for Mr Bush confusing his questioner, the intelligent, polite and persistent Ted Koppel, with another anchorman, Dan Rather, with whom the Vice President had had a cele-brated confrontation earlier in the primary campaign. But this was an ephemeral embarrasscuriously unable to convey this. ment, even in an age of media As Mortimer Zuckerman put it in superstars, compared with the overall impression Mr Bush gave throughout the programme.
It was not just that he was on

the defensive; with issues such as Irangate and Panama hanging over his head, he could hardly

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FINANCIAL TIMES

Tuesday June 28 1988



Minister rules out mechanical failure in Airbus crash

MR LOUIS MERMAZ, French
Minister of Transport, yesterday
firmly ruled out a technical or
mechanical failure as the cause
of the crash of the Air France
in The black boxes showed, the
Minister said, that the aircraft
had behaved normally in a
machanical sense. Specifically, he MR LOUIS MERMAZ, French on the preliminary examination died and around 50 were injured; moreover, his technical clearance of the two black boxes recovered. The black boxes recovered to have specified that mechanical failure as the cause of the aircraft was inevitably provisional, since he has now set up the aircraft should fly no lower west Germany and Spain.

The inference of his declaration, at a press conference in Paris yesterday, was that the accident could have been caused by pilot error, though he explicitly refused to make any such allegation.

mechanical sense. Specifically, he denied allegations ventilated after the accident, that the Airbus, which was flying low at an air show at Mulhouse-Habsheim, had responded too slowly when the pilot gave it throttle.

of the aircraft was inevitably pro-visional, since he has now set up a commission of inquiry which is expected to deliver a preliminary

Mulhouse appeared to attribute the accident to pilot when he said yesterday that the aircraft "was flying too low". According to the evidence of the black boxes, the y refused to make any such legation.

Mr Mermaz declined to offer an aircraft was 30 feet above the alternative explanation for the alternative explanation fo

than 100 feet.

"Nothing justifies suspending the flights of the A-320," said Mr report within a month. the flights of the A-320," said Mr But the public prosecutor of Mermaz. "No currently available indication allows us to doubt the proper functioning of the aircraft."
He said that when the pilots pushed forward the throttles.

power was restored at a rate well within the required norms.

Mr Mermaz ruled out any suggestion that a contributory factor could have been the fact that the by a two-man crew. He said that the black boxes showed that the pilots were perfectly lucid and aware of the situation, and that there was no panic. "A third man could not have added anything."

Democrats quench a thirst for party unity

The Democratic wing

GOVERNOR Michael Dukakis of Massachusetts has achieved what many believed had become impossible for a modern Democratic presidential candidate: the production of an election manilesto which is not only short but

placates the party activists.

In Denver, Colorado, the Dukakis forces pulled off this tricky balancing act by displaying the same control and organisation which made their candidate an early favourite to win the November presidential election against the Republican, Vice-President George Bush.

The 1988 Democratic election

to, at under 4,000 words, will be the shortest statement of what the party stands for since Franklin D. Roosevelt squared up against Herbert Hoover in 1932. The document, entitled "The Restoration of Competence and Hope," largely avoids the pandering to special interests and minority groups which buried Mr Walter Mondale's campaign in . 1984. Instead, it reflects a thirst for unity among Democrats, who have lost four out of the last five presidential elections.

Absent during hours of debate were the rambunctious platform debates of the past when Democrats clashed over the Vietnam leadership recognised this year, war, civil rights, gay rights and the platform does send a signal to anything else that took their voters at large about what the anything else that took their votes at large addit what the fancy. "I've been coming to these meetings for the past 20 years," On the key issues of defence and taxes, the Dukakis camp mer mayor of Gary, Indiana, gave not one inch. Mr Jackson's and this is the first one where people were acting in a civil

in which the Dukakis forces nuclear weapons. the governor and his wife were in Nantucket on holiday – exercted just the right amount of plenty of "wiggle room." A Jack-control over the activist wing of son amendment to raise personal

led by Michael Dukakis (right) has produced a manifesto that placates the activists following a conference at which just the right amount of control was exerted over the wing led by Jesse Jackson (left). Lionel Barber, in Denver, reports

the party led by the Rev Jesse Jackson, the black civil rights leader from Chicago.

It has become a cliché that election platforms count for nothing since they are non-binding statements of what the party stands for. But as the Democratic leadership recognised this year,

proposal for a five-year freeze in military spending was roundly way."

This year, the party wants to that the US impose a unilateral defeated: so too was a motion win. What we saw in Denver was moratorium on nuclear testing a carefully choreographed event and renounce the first use of and renounce the first use of

income taxes for Americans earn- offered an eloquent defence of the ing more than \$200,000 was first use of nuclear weapons and beaten back; so was a motion to the US commitment to the North restore corporate taxes to their Atlantic Treaty Organisation; pre-President Reagan level of 48 and Congressman Tom Revill of

But these defeats were tele-graphed well in advance. Mr Dukakis enjoyed a clear majority of the 153 delegates present, and his Boston campaign staff proved sufficiently disciplined to keep everyone in line - unlike 1984 when Mr Mondale was still preoc-cupied with the threat from Mr

The other story in Denver is that the Democratic party mem-bership is still drifting left, despite the militant moderate image of Mr Dukakis.

in a cacophony of complaints inevitable nominee. about the treatment of minori- As if to underly

The old conservative Democrats were invisible in Denver.

Sure, Mr Jim Booe, a Washington
DC platform committee member,

DC platform committee member,

age moving through the House of Representatives sponsored by Congressman Ron Dellums of California. Not only is South Africa branded a terrorist state, but the US is called upon to lead the international community in imposing comprehensive sanc-tions against Pretoria and to determine a date certain by which US corporations leave South Africa."

The rub appears to be that Mr Dukakis was prepared to give Mr Jackson his head on South Africa providing he modified his language on the Middle East, partic-ularly on the desire for a Pales-tinian state. However, Jackson supporters pushed for an amendment calling for "self-determina-tion for Palestinians" and "the realisation of Palestinian aspirations" and, although it was defeated, a similar amendment may still go to the floor of the party's convention in Atlanta

next month.

One popular theory has it that
Mr Dukakis would like Mr Jackand Congressman Tom Bevin of Alabama grumbled a little about the party's direction, but then he reassured himself: "No-one has ever been defeated for something come believe this is far too some believe this is far too some believe this is far too some believe this is far too sor to bring some motions to the floor, if only because he could right-wing has long been faint. Mr Jackson's refusal to concede but on Saturday it was drowned in a cacophony of saturday and that the governor is becoming a little tired of Mr Jackson's refusal to concede defeat and rally round the

about the treatment of minorities, the "poor getting poorer and the rich getting richer," ethnic stereotyping. AIDS treatment and what several speakers referred to the red for "well below care" is a magazine of the lockers' is a magazine of the lockers'. as the need for "well-baby care." is a measure of Mr Jackson's influence within the Democratic The striking language of the party that the Dukakis forces

Eurobond market hit by UK tax decision

sign separate agreements with work companies with a target each national telecommunicadate for approval in the autumn authorities to end the current tions supplier.

Mr Mike Sheridan, head of double tayeties authorities to end the current with

The Inland Revenue said it would terminate the existing

Negotiations over a new - but more limited - agreement with the Antilles are in progress, but none are taking place with the authorities in Aruba.

The announcement could have a significant impact on up to 30 Eurobonds issued by UK compa-nies since 1984 through financing subsidiaries in the Antilles, Eurobond houses estimate.

They calculated that issues with a combined value of some \$2bn to \$4bn could, on the face of it, be affected. However, because of the confusion and the lack of trading in many of the issues most bond prices were not signifi-

cantly affected.
The decision means that UK companies which have issued Eurobonds through Antilles sub-sidiaries since July 26 1984, face a 25 per cent UK tax on their interest payments on them. Previ-ously a special zero rate of tax applied. Because of the tax changes, some borrowers will be allowed to redeem the bonds early at face value, which could be significantly below their cur-rent market price.

The Revenue said it would ensure that no Eurobonds issued before July 26 1984, were affected. Before that date, UK companies had to issue Eurobonds via over-

The Inland Revenue wants a renegotiation because of general The nationalist demands have concern that the treaty is being caused considerable concern in abused. "It became clear that Moscow, and supporters of Mr third parties and residents of the Gorbachev fear they could yet two countries weren't using the precipitate a conservative. Russian-led backlash within the it was intended," it said. "It was party, which might block the rest meant to prevent double taxation of the meant to prevent double taxation."

THE LEX COLUMN Reaching for the brake

Yesterday's authentically lousy trade figures make it the more likely that base rates will move today, and the harder to predict by how much. The market is now settling into the gloomy convic-tion that the trade deficit could reach £10bn this year - 2½ per cent of GDP - compared with £1.75bn last year and equilibrium the year before. It also seems increasingly clear - with hind-sight, to be sure - that the Chanceller, which is the chancel of the compared ways and the chancel of the cellor got his demand management wrong by giving away too much in the Budget and then sticking with low interest rates for too long. In choosing between 9.5 per

cent and 10 per cent, the authori-ties would doubtless prefer to leapfrog the market rather than give the impression of trailing behind it. Since the money market is discounting 10 per cent already, that option is scarcely available. But with sterling below DM3.10 and only a whisker over \$1.70, tinkering with a half point rise now seems to invite the risk of being pushed to 11 per cent sooner rather than later.
The equity market's problem in

all this comes in the threat to UK growth a year or so out. The price of reducing the trade deficit is high base rates and — presumably — no tax cuts in the next Budget. The City's economists are nervously calculating that relates one give investment dent in making any significant dent in the deficit might entail a percent-age point or so off the growth rate. But then, an economy hit by an investment and consumer boom at a time of capacity con-straints - a combination, that is, of overheating and misaligned resources - has no other way to go likely that base rates will move today, and the harder to predict by how much. The market is now settling into the gloomy conviction that the trade deficit could reach £10bn this year - 2% per cent of GDP -compared with £1.75bn last year and equilibrium the year before. It also seems increasingly clear - with hindsight, to be sure that the Chancellor got his

demand management wrong by giving away too much in the Budget and then sticking with low interest rates for too long. In choosing between 9.5 per cent and 10 per cent, the authorities would doubtless prefer to leapfrog the market rather than give the impression of trailing ehind it. Since the money man ket is discounting 10 per cent already, that option is scarcely available. But with sterling below

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Budget. The City's economists
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making any significant dent in
the deficit might entail a percentage point or so off the growth
age point or so off the growth
and consumer and consumer

an investment and consumer

largely irrelevant to Trusthouse
term view.

THF is certainly not going to
bid for the Savoy with the shares
at their current stratospheric levage more than half the shares

as the one clear winner in the post-Big Bang environment. But the group's preference for hiding behind its mystique, rather than stooping to disclose sensible information about its affairs, managed to make good the numbers of the performance of the perf information about its affairs, means that any judgement about the success of its large means that any judgement about the success of its large means that any judgement about the success of its large means that are success of its large means that the success of its large means the success of its large means that the s the success of its long-term strat-egy remains dependent on such at its UK hotels (perhaps 20 to 25 subjective criteria as hearsay, or whether or not you like the cut of the chairman's jib. Admittedly, a 13 per cent rise in full year pretax profits, to fill.im, looks impressive by contrast with the food and other delights than their likes of Kleinwort Benson, BZW, American counterparts - this and County NatWest, especially year should still be a good one when it is remembered that they only had one dull quarter to contend with and two out of the three still management. three still reported full year

If allowance is made for the operation, THF's current 26 per 18m after-tax loss on the BP underwriting, the second half slump in merchant banking profits looks nowhere near a loss of the troubled US hotels operation, THF's current 26 per cent premium rating is probably no more than it deserves. and unchanged second half profits from Mercury Asset Manage-ment were surprisingly strong given that they covered the period of the crash. However, Warburg did have £200m of extra capital to play with, and little is known about the success of the group's heavy investment in the securities business apart from the healthy rise in the headcount in New York and Tokyo. Meanwhile, the complaints about com-petitors who are prepared to take heavy losses in order to buy market share sound depressingly familiar, and the 10 per cent drop in earnings per share - which is unlikely to be recouped this year is a reminder that it may not be prudent to repeat the 15 per cent rise in the dividend next

Trusthouse Forte

The vitriol directed against the doubt guarantee the company a place in the headlines which it

rate. But then, an economy hit by an investment and consumer boom at a time of capacity component at time of capacity component. And pursuing the possibility of overheating and misaligned resources — has no other way to go.

S.G. Warburg

Warburg may well be emerging from the Savoy's profitability.

as the one clear winner in the

Certainly, the performance of latter two groups spend less on food and other delignts than their

MacGregor already despatched to look into the troubled US hotels

The news that the UK taxman

plans to close the Dutch Antilles loophole for Eurobonds caused some confusion yesterday, mainly because no one was sure how many bond issues would be involved. The change as mooted would affect issues routed direct to the Antilies since 1984, but apparently not those passed through Dutch subsidiaries; early guesses are that the total would be a couple of dozen at most, accounting for less than a half per cent of the Eurobond market by value. The practical effect of such a change would probably be to benefit borrowers at lenders' expense. At the extreme, a bond issued in August 1984 might carry a coupon of 13 per cent, the requirement to make good UK withholding tax at 25 per cent would now have to gross the pay-The vitriol directed against the ment up to an effective 17.3 per Savoy management yesterday by the Trusthouse Forte chief executive, Mr Rocco Forte, will no clause allowing the horrower to death. redeem at par in the event of a change in the tax regime, the borrower would be more than would not have merited on profits performance alone. But the battle for the high moral ground on the issue of Savoy directors' salary and perks — not to mention the larger issue of account that this, efter all is what small what small is the sheethelders — is ability to shareholders - is print is there for.

EC-Israel trade pact veto may be lifted

By Tim Dickson in Brussels

The European Parliament's dra-matic refusal earlier this year to endorse three trade and financial agreements between the European Community and Israel could be reversed at next week's full meeting of the assembly in The issue has been put back on

the Parliamentary agenda for the first time since the controversial March veto and according to one senior Parliament official in Brussels last night, "there's a 60/ 40 chance that the accords will now go through". Feelings about the handling of

the unrest in the occupied Arab Territories, however, are still running high among many members in the key Socialist Group and there is no guarantee that the required 260 vote majority can be reached.

MEPs have not disguised the fact that their gesture, the first of its kind under the new powers of the Single European Act, was politically inspired. The three so-called protocols are of little economic significance, tying up the loose ends of Spain and Por-tugal's accession to the Community in January 1986, providing a 5 per cent import duty concession on cut flowers and other products, and confirming an Ecu63m (\$73m) "soft loan" whose terms are not considered to be extravagently generous.

The Israeli Government has

nevertheless been angered and embarrassed by the affair and has conducted a lobbying campaign to put across its case.

75 Dubrowshi
64 Fara
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95 Function
96 Function
96 Function
97 Services
98 Guernsty
98 Guernsty
98 Hanspack
98 Manspack

World Weather

European telephone companies aim for joint data network

pany for the region.

The plan brings together Europe's largest network operators, including the West German Bundespost, France's Direction Générale des Télécommunications and British Telecom, in an attempt to compete more effecattempt to compete more effec-tively with a number of private companies in the data field.

Data communications is one of the fastest growing areas in telecommunications services. It of one-stop shopping approach as expected to receive an additional that of the private companies, stimulus in Europe from the started about a year ago. There plans for an integrated market by 1992.

A GROUP of 18 European public nies, however, have failed to becoming impatient over the telephone companies has reached grasp as much of the market as slow pace of progress, but, followpreliminary agreement on an ambitious scheme to set up a cumbersome procedures which posals to set up the system will jointly owned data handling com-

> and Geisco, General Electric's telecommunications subsidiary. Discussion on the new scheme, which would offer the same kind

have been indications recently

tions supplier.

This has allowed the growth of international telecommunications private US-based groups in the business, including EDS. Irish telephone company and a the General Motors subsidiary; Irish telephone company and a the General Motors subsidiary; Irish telephone company and a member of the action group international Business Machines; working on the proposals, said

working on the proposals, said fusion yesterday. yesterday that the scheme would The Inland Re offer much simpler data communications to business users. All double taxation convention with maintenance and billing could be the Netherlands Antilles and done through one centre in what-ever currency the customer from the start of the new UK tax required, he told delegates to the year next April. Financial Times Conference on 1992. that several of the more aggrees Telecommunications and the The public telephone compassive telephone companies were European Business Market.

Arafat supporters beaten in Beirut

asked Libyan officers to mediate and Syria's President Haiez al-Astheir safe passage out of the ruins of the Chatila refugee camp.

The military reverse experienced by Mr Arafat's mainstream towards the airport road in the fatah group holding out at the first stages.

battered shanty-town signalled A spokesman for the Popular that Syria's resolve to remain in Front for the Liberation of Palescontrol of factions still merating time said between 50 and 70 Ara-

GUERRILLAS loyal to Mr Yassir ened their grip over the squalid Arafat, chairman of the Palestine alleys and shacks of the camp.

Liberation Organisation, suffered This latest round of inter-Palesabig setback at the hands of Syrtinian fighting broke out in April ian-backed Palestinian dissidents within days of an attempt at recyesterday. At one stage they onciliation between Mr Arafat asked Libyan officers to mediate and Syria's President Hafez al-Asbehest of Mr Arafat to try to the sad extranged for five years. Fol.

control of factions still operating time said between 50 and 70 Arain Beirut's Moslem sector fat supporters were still inside remains as strong as ever. Pales chatila. They have asked a Libtinian officials said hundreds of yan major representing a group of lighters from the pro-Syrian of Libyan officers to convince the influence in Lebanon is still group of Abu Musa had strength- Syrians to let them leave for apparent.

Twenty Libyan officers arrived in Beirut two weeks ago at the

behest of Mr Arafat to try to end the fighting in Chatila and the Bouri el-Barajneh camp Boury el-Barajneh camp
"The fighters are all in there
still. It looks like the Bastille fortress after a lengthy battle. But
what happens now is no longer inthe hands of the guerillas but
between Damascus and Tripoli,"
one Palestinian official said.
In spite of the largely cosmetic
reconciliation between Mr Arafat
and Mr Assad, their contest for

Gorbachev party proposal

speech, although it was reported to have been circulated among close advisers.

Unlike all major set-piece events of the ruling party in in the Armenian-populated recent years, the result of this enclave of Nagorno-Karabakh has week's conference is still uncernot yet been entirely abandoned. tain. Mr Gorbachev must expect to win a resounding endorsement from the delegates, however con-servative they may be, but sev-eral major issues remain unre-

Chief among these is the simmering nationalist unrest affecting not only the transcaucasian republics of Armenia and Azer-

ly-minded Baltic republics of Estonia, Lithuania and Latvia. There was official confirmation yesterday that the general strike

not yet been entirely abandoned, despite such reports from Com-

munist officials in the area. The nationalist demands have

seas finance subsidiaries or pay the withholding tax. Since then, British companies have been able to make the issues direct and avoid withholding tax.

and not to stop single taxation."



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California utility to take \$500m N-plant charge

ings - to settle a long-running dispute with state regulators over it would if it had been allowed to recovery of the \$5.5bn cost of recover its full costs. Overall, its building its Diablo Canyon nuclear power plants.

Reflecting its weaker performance, the San Francisco-based company will also cut its quar-terly dividend to 35 cents a share from 48 cents. The reduction in payout, the first in 55 years, was somewhat less severe than some analysts had expected. Its shares fell \$% to \$15% in early trading

esterday.

Mr Richard Clarke, chairman of the utility, said the settlement "establishes how PG&E will be compensated for our investment." The company, which earned net profits of \$1.1bn on revenues of \$7.19bn in 1987, was already expecting sharply lower

In a compromise agreement with state utility regulators and the California attorney general, PG&E will be unable to recover from its customers \$2bn of the costs of the twin power plants. Located half-way between San Francisco and Los Angeles, they came on stream in May 1985, and March 1986 respectively.

sion of ratepayers advocates' rec- and the state of New York.

PACIFIC GAS & Electric, a leading California utility, is to take a \$500m after-tax charge — which will virtually eliminate 1988 earnfor Diable Canyon's power than customers will face only a 5 per cent rise in their electricity bills.

The utility's revenues from Diablo Canyon will depend on the power plants' performance, a move which regulators said was highly imnovative. PG&E will be rewarded for reducing the cost of electricity generation at the plants, which are rated among the most efficient nuclear power plants in the US.

Meanwhile Public Service of New Hampshire confirmed yes-terday it had held preliminary talks with the state of New Hampshire about abandoning the Seabrook nuclear generating sta-tion. The plant was completed in 1986 but the consortium of New England utilities which owns it has so far failed to get an operat-

PSNH, which has the largest stake in the project, was forced to seek Chapter 11 bankruptcy court protection earlier this year because of the financial strains of Seabrook. A precedent for abandoning a nuclear plant was estab-Originally, the California Public Utilities Commission's divibetween Long Island Lighting

Corning Glass up by 54%

CORNING GLASS Works, the leading US maker of optical fibres and other products from glass and inorganic materials, has reported a sharp rise in

Net profits for the 12 weeks ended June 19 rose 54 per cent to a record \$82m or \$1.82 a share, from \$53.3m or \$1.15 a

year earlier. The latest results included a \$30m pre-tax or \$19.8m after-tax gain from the sale of shares in International Clinical Laboratories.

Corning was beaten by SmithKline Beckman in a bid-ding contest for the medical testing service earlier this

RECORD MORGAN STANLEY LBO FOR US PAPER PRODUCTS GROUP

Fort Howard in \$3.57bn buy-out

BY JAMES BUCHAN IN NEW YORK

FORT HOWARD, the US paper company and supplier of dispos-able towels, plates and cups to restaurants and businesses, said yesterday it had agreed to sell its business for \$3.57bn to a management group backed by Morgan Stanley, the Wall Street invest-ment firm.

The deal is a coup for Morgan which has moved strongly into the leveraged buy-out business. It controls the largest pool of capi-tal available for such deals after Kohlberg Kravis Roberts, the pioneering buy-out partnership.

The deal was overshadowed by yesterday's shock announcement that the Securities & Exchange Commission had filed insider

Bid for Systems Integrators BY LOUISE KEHOE IN SAN FRANCISCO The move follows System

THE chairman of Systems Integrators, the US supplier of Integrators' recent announcement of plans to revamp its product line, moving to indusmputer systems to newspa-rs, yesterday announced a hid to take the company pri-vate. Mr James Lennane, who holds 43 per cent of the stock. has offered \$7.25 per share for the remaining shares, or about

try standard personal computer terminals and standard software. The company's shares were trading at \$5% before the

The deal will be financed by a bridge loan and \$1.53bn equity put up by Morgan Stanley, its trading charges against an analyst at Morgan Stanley.

Under yesterday's deal, a group of institutional investors assembled by Morgan Stanley, the investment bank itself and Fort Howard's management under Mr.

The bridge loan will be refinanced through the public or private sale of junk bonds.

directors unanimously recomthe Morgan Stanley offer, but they remained open to other offers. Fort Howard's stock gained \$3% yesterday morning to \$53% in response to the The deal follows a week of

speculation that management at the successful paper group was Howard's management, under Mr Fort Howard, based in Green frustrated at the company's low Paul Schierl, chairman, will offer Bay, Wisconsin, said its outside price in the stock market and

was seeking to take the company private.

Fort Howard, which employes 16,000 people making paper tissues, towels, napkins, cups, plates and straws, has relatively high profit margins because it uses recycled paper rather than more expensive pulp. The company, which has raised earnings in an almost unbroken series since the early 1970s, reported.

since the early 1970s, reported net income of \$157m last year on The deal promises to be the The deal promises to be the largest leveraged buy-out (LBO) for Morgan Stanley, which last year raised \$1.6tm in equity funds from institutional investors such as pension funds after a round of successful LBOs, including the \$2.07bm deal to take Burlington S24 model produced under content of the Auril of Northern Search S25 and S24 model produced under content of the Auril of Northern S25 and S25 model produced under content of the Auril of Northern S25 and S25 model produced under content of the Auril of Northern S25 and S25 model produced under content of the Auril of Northern S25 and S25 model produced under content of the Auril of Northern S25 and S25 model produced under content of the S25 model produced under c

Industries private last summer. tract by Audi in N
"We believe Fort Howard has southern Germany."

excellent prospects," said Mr Tom Saunders, chairman of the equity fund, known as the Morgan Stanley Leveraged Equity Fund II.

York International plans to go private in \$750m deal

YORK INTERNATIONAL, a leading US producer of air con-ditioning and refrigeration equipment, is going private in a buyout worth \$750m or \$57.50 a share, just over two years after being spun off from Borg-Warner as an indepen-dent publicly-quoted company.

Under a definitive agree-

based office equipment group,

Komori Printing Machinery of

Japan for more than \$250m in cash, shares and assumption of

AM to sell Harris unit

AM International, the Chicago- systems and dominates the Japa-

has reached preliminary agree-market, is to buy the Harris web ment to sell a large part of its press group, which has annual Harris Graphics division to revenues of \$350m.

Komori, one of the world's companies work towards a defini-largest makers of offset printing tive agreement.

ment, York Holdings, a new company capitalised by Citi-corp Capital Investors and other investors, will purchase York's shares and intends to offer equity participation to members of York Interna-

The deal appears to be another coup for Mr Stanley Hiller, the mercurial US corpo-

nese money printing equipment

AM retains the right to con

tinue to discuss a proposed sale with other interested parties dur-ing the period in which the two

tional's management.

rate turnround specialist who master-minded the spin-off in April 1986 of York Interna-tional from Borg-Warner, which has itself since gone pri-

York had revenues of \$690m in 1986 and net profits of \$8.22m. It will begin a tender offer on July 1 for 9.1m York International shares, repre-

Mr Varnes told the group's annual general meeting that the

company should achieve a con-

senting about 87.8 per cent of the outstanding shares.

Under terms of the original spin-off, Mr Hiller and his associates had the right to acquire shares, warrants, options and debentures repre-senting about 20 per cent of the company on a fully-diluted

Optimism at Beghin-Say

BEGHIN-SAY, France's largest solidated turnover of slightly more than FFr30bn, against sugar producer, should double its consolidated turnover in 1988 FFr15.5bn in 1987. "This should enable us to reach because of a plan by Gruppo Fer-ruzzi, its parent, to centralise its our goal and become one of Europe's leading agri-business groups. Beghin-Say, which is 56 per cent controlled by Mr Raul agri-business activities around the French group, Mr Jean-Marc Vernes, its chairman said yesterday, Reuter reports from Paris. Gardini's Italian conglomerate

Demand for the bottom of the

In January, Porsche production workers at Neckarsulm were put on short time to help bring US stocks into line with demand.

US sales slide forces Porsche to abandon output of 924 model

BY HAIG SIMONIAN AND KEVIN DONE

tract by Audi in Neckarsulm in

Meanwhile, Porsche and Volkswagen, Audi's parent company, have agreed to extend by one year their production contract which was due to expire at the

end of 1989. The decision to drop the 924 means Audi will have to reallocate up to 1,000 workers at its Neckarsulm plant.

The company had already envisaged 1,000 job cuts at each of its two plants in Neckarsulm and Ingolstadt but the loss of the 924 means it will not be possible to reduce the Neckarsulm workforce by natural wastage alone, it

range 924 has dropped sharply in the US, Porsche's most important market, with sales of only 805 mits in the first five months of 1988 compared with 1,175 in the corresponding period a year ago.

Porsche is being forced to retreat up market, as its competi-tors, particularly Japanese car-makers, attack the lower end of August Audi's Neckarsulm p its market in the US and Europe. Between January and May this year the Neckarsulm works pro-

duced some 430 Porsche 924s almost three times fewer than in the same period last year.

As of this week, Porsche pro duction has been reduced to one shift a day until the end of the year so output will fall to 60 cars a day, against a notional daily ceiling of about 150 cars.

However, no short-time work-ing is at present envisaged under the one-shift system, according to Audi, although both it and Por-sche are clearly leaving their

In contrast to US sales domes tic sales have recovered some

Under pressure from the weakness of the dollar, Porsche net profits fell by 31 per cent to Dm52m (\$29m) in the year ended July 1987, forcing the company to cut its dividend. In 1985 profits totalled Dm120m.

Sales for 1988 had continued to decline, the company said in its March half-year report, although it stressed that it hoped to remain in profit for 1987-88.

From 1991 Porsche will build its four cylinder models at its own plant in Zuffenhausen. The extension of its contract with Audi is to give it time to transfer production to its plant

When the 924 is dropped in August Audi's Neckarsulm plant will continue the assembly of the wider-bodied 944, 944S and the 944 Turbo models until the end of

 Porsche is holding talks with Lotus, the UK subsidiary of General Motors of the US, on developing a new Formula 1 engine, the company said yester-



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Ferruzzi, said in January that it had decided to centralise its agri-business activities within Beghin.

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INTERNATIONAL COMPANIES AND FINANCE

Belgium approves anti-raider rules

Club Med hit by weak dollar

By Our Financial Staff

"ANTI-RAIDER" legislation could be in place in Belgium by early August following the Cabinet's decision to approve new plans drawn up by Mr Willy Claes, Minister for Economic Affairs, and Mr Philippe Maystadt, Finance Minister.

The matter, which has sitracted the personal attestion of Mr Wilfried Martens, the Prime Minister, has been a preoccupation in Belgium following the dramatic battle this year for control of Société Générale de Belgique, the country's leading company.

Under the proposals, share and sucception to decisare a reinformed are informed. Société Générale — the spring serior in fluer certain circumstances, are informed. Société Générale — the spring serior in publicly quoted companies with according to a communiqué from an "own capital" of more than the Ministry of Economic Affairs, the Minister of Economic Affairs, and moving the Cannes than the Ministry of Economic Affairs, the Minister of Economic Affairs, and moving the Cannes and the Minister of Economic Affairs, and moving the Cannes are informed.

Société Générale — the spring serior informed are informed.

Société Générale — the spring serior informed are informed.

Société Générale — the spring serior informed are informed are informed.

Société Générale — the spring serior informed CLUB MEDITERRANEE, the French international leisure group, yesterday became the lat-est corporate victim of the weakness of the dollar,
The company, best known for its upmarket holidays in pur-

its upmarket holidays in purpose-built villages, expects net profits for the first half of this year to show a decline of more than a fifth.

It said yesterday that net income for the six months ending in April 1968 would decline by 21 per cent to FF775.5m (\$12.3m) from FF795.3m in the same period a year ago. For the whole of last year, Club Med's net profits totalled FF7296m on turnover of FF76.2m.

The company linked the reverse primarily to the weak tone of the dollar, which averaged FF-5.63 in the first half compared with FFr6.25 in 1987. As a result of this sort of adverse currency movement, revenue for the six months was barely main-Club Med also noted that its depreciation allowances during

the six months rose

DAIMLER-BENZ is a step closer to taking a stake in Messer-schmitt-Boelkow-Blohm (MBB),

schmitt-Boeikow-Blohm (MBB), the aerospace group, following government agreement to preconditions requested by Daimler, the company said yesterday.

The company said: "An offer from the Government is on the table so we can now enter into detailed discussions." It added that no final decisions had yet been taken

Daimler, West Germany's leading industrial company, was commenting on media reports which suggested that the Government would underwrite until at least 1994 the financial risks to MBB arising from the production of

more than 12 months but the company has insisted that it

Bonn has been seeking a strong industrial partner for MBB but the question of the loss-making Deutsche Airbus, an MBB subsidiary, has always been a problem. Deutsche Airbus is the West German arm of the Furgueen Airbus concertion. European Airbus consortium. Mr Edzard Renter, Daimler's management board chairman who has pioneered Daimler's diversification into acrospace and electronics to complement its

hived off into a new company called Airbus AG, jointly owned by MBB and the state-run Loan Corporation for Reconstruction.

The states of Bremen, Ham-

the MBB stake, the company said.

Daimler has been widely seen as a likely partner for MHB for company insisted that it stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own sould only enter an agreement with MBB if any link could be stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Hamburg and Bavaria together own stakes are held by Allianz, Sieles of Bremen, Ham

France-Quick to buy Freetime

Swiss investors claim

insider trading victory

The Swiss Investors' Protection
Association said the preliminary
injunction issued by Switzerland's highest court last week
gives opponents of the law time
vote on the matter in order to

gives opponents of the law time require a public referendum, it to muster support at the cantonal said. The law, passed by parifalevel to force a public vote on the ment last December, was forced

=

BY GEORGE GRAHAM IN PARIS

FRANCE-QUICK, the leading French hamburger chain with 80 restaurants, is to take a majority stake in Freetime, number three in the sector with 45 restaurants. The deal puts the squeeze on McDonald's. The Big Mac may be number one worldwide, but in France's slightly shamefaced love affair with the hamburger, it is pushed into second place.

The struggle for market posi-tion is intense. The aim of the Quick-Freetime association is to sew up the market with an

Allflex buys

Dallas group

By Del Hayward in Wellington

ALLFLEX, a New Zealand com-

pany which has grown through

the development of a simple, easy-to-apply, plastic eartag for animals, has bought the Dallasbased industrial Thermoform.

The move, which will strengthen Allflex in the US, will allow the absorbing of its manual.

allow the absorption of its manu-

facturing plant previously located in New York state.

The New Zealand group also has a trading subsidiary called Vet Brand in the US, but with the

And making money is not easy, with prime town centre sites for restaurants changing hands at exaggerated prices and the clientele growing more slowly than the number of restaurants.

its stake in Freetime from 25 per cent to 31 per cent, and is expected to collaborate in developing freetime and Quick franchise restaurants.

Socopa, the foods group, will France-Quick, which is to take

a majority stake in Freetime, is a joint subsidiary of the French supermarket chain Casino and the Belgian retailing group GB-limo. It will take 51 per cent of Freetime, including the 27 restau-rants which are directly owned.

BY OUR FINANCIAL STAFF

A to 31 per cent,
A to 31 per cent,
A to collaborate in deveal
rectime and Quick franchise
restaurants.
Socopa, the foods group, will
cut its stake from 50 per cent to
15 per cent but will continue to
supply the meat for the restaurants, while Eurocean will cut its
share from 25 per cent to 3 per
cent.
The hamburger has not yet
the dieved universal acceptance in
the cane side and the
one side and the
one side and the
Survey is Bomag of West
Germany.

Euroc said that its strategy
trengthen its position is
materials secto sew up the market with an alongside 18 franchises.

all-purpose family hamburger at one end and a switched-on youiff hamburger at the other. The Big lowed the O'Kitch chain in 1986, Mac, so the theory goes, ends up sanitwiched in the middle, never to merge the two brands.

At the same time, the French all-embracing McDonald's and hotel group Accor will increase Burger King.

salet.

A SWISS investors' group High Court declined to comment and Justice Ministry officials and Ju

HENKEL, the West German chemicals group best known for its range of washing powders, expects sales to rise by 7 per cent to around DM10bn (US\$5.5bn) for

Daimler closer to MBB stake

The Government guarantee over MBB's Airbus risks also meant that the weekend crash of an A320 Airbus in France had no effect on Daimler's position on

Edzard Reuter: pioneer of Daimler's diversification

Euroc in talks over Dynapac

EUROC, the Swedish building materials, engineering and trading group, is negotiating the sale of Dynapac, its once-troubled building equipment subsidiary which has recently been put back on its feet. The potential buyer is

who has pioneered Daimler's diversification into acrospace and electronics to complement its core activity of motor production, will give a statement on the company's plans with MBB at Dahmler's annual meeting on Friday.

According to press reports, MBB's Airbus activities would be hived off into a new company called Atrius AG, jointly owned by MBB and the state-run Loan on the state-run Loan of the compaction and markets heavy and light compaction equipment.

light compaction equipment, asphalt finishers and concrete

asphalt finishers and concrete finishing equipment used, for example, in the construction of roads, dams and airfields.

The division faced problems in the early 1980s when its markets declined but has been restructured and is expected to show a profit for 1988 after heavy losses in 1985 and 1986.

Components agreed in 1986 to

in 1985 and 1986.

Components agreed in 1986 to take an option to acquire all or part of Dynapac, and put in new management to help with the restructuring.

Dynapac reduced its loss to SKram in 1987 and analysts are predicting a return to a profit of more than SKr25m this year. Sales totalled SKr138m in 1987 with 92 per cent of sales outside Sweden.

Germany.

Euroc said that its strategy was to strengthen its position in the building materials sector. The disposal of Dynapac would help provide funds for further acquisitions in this area. The group has made several

strategic acquisitions in recent months including De Boo, a Dutch building material whole-

Henkel expects sales to increase by 7%

1988 following a 12 per cent improvement over the first six months, writes our financial

The company, which also expects a good increase in profits for this year, plans to hold its dividend for 1987 at DM5 a share on increased capital.

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FINANCIAL TIMES

West German Banking

136 July

Darren Dodd

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measure. The group said it had argued on Switzerland by pressure from the US and it violated the Swiss that the law's referendum period tradition of privacy in financial was improperly observed. The

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By. Citibank, N.A. (CSSI Dept.), Principal Paying Agent June 26, 1988, London CITIBAN(

اهكذا من الأمها

INTL. COMPANIES AND FINANCE

Andrew Whitley on implications of an Israeli group's recovery plan

Koor sets the pace for change

AN INTERNAL revolution is underway at Koor, the leading Israeli industrial conglomerate. The former emphasis on produc-tion is rein. tion is giving way to an unusual, for Israel, stress on marketing and managers are, for the first time, being made responsible for

their decisions.
The fortunes of the recovery plan initiated by Mr Benjamin Gaon, recently drafted in as chief-executive with the task of saving the labour federationowned company, carry pertinent lessons for the whole of Israel's shaky industrial sector, which is slowly adapting to the post-hy-perindation era.

Whether the new team at Koor meets its goal of putting the trou-bled group back in the black within two years is also likely to determine the long-term fate of its parent, Hevrat Ha'Ovdim, a sprawling business empire responsible for a quarter of national output.

The only genuinely profitable component of Hevrat Ha'Ovdim

today is Bank Hapcalim, the largest Israeli bank. But its largest account, in turn, is with Koor. So, if Koor fails the entire struc-

ture could be endangered. Mr Gaon, a 52-year-old market-ing man who has spent almost his entire career with Hevrat Ha'Ovdim, is under no illusions about the size of the task he took on in April when he replaced Mr Yeshayahu Gavish, Koor's

long-standing president.

Most of the group's traditional cash cows are losing money heavily, and overmanning remains a serious problem in spite of the shedding of more than 4,000 jobs out of 35,000 over than 4,000 jobs out of 35,000 over the past year. The immediate task is to cut this year's antici-pated losses by \$100m, a target which appears manageable based on preliminary estimates show-ing that the red ink for the first six months of the year will dry up at about the \$45m mark. Factory closures and disposals, accompanied by mass lay-offs.

accompanied by mass lay-offs, are already well advanced. But how much further the Koor boss' ability.

will be able to go in the coming months, as an unusually crucial national election approaches, will be able to go in the coming months, as an unusually crucial programme he has the backing of have coutrol," Mr Gaon says.

But he is realistic enough to

REDUNDANCIES PUSH LOSS TO \$253m

KOOR INDUSTRIES yesterday industrial relations, a decline in declared a 1987 loss equivalent world military markets and the to \$253m - more than double near freeze in the value of the the previous record deficit for shekel against the US dollar.

the previous record deficit for any Israeli company. The plunge into the red comes after a tiny profit of \$4m the previous year on a virtually unchanged turnover of Shk4.2bn (\$2.73bn at the end-year exchange rate).

In a scathing attack on the management team in place to last April, Mr Bejamin Gaon, the newly appointed chief-executive, said Koor had been "an aircraft flying at night with no speedometer or fuel gauge, and in need of a good pilot." a good pilot."

Apart from poor management,

he blamed the difficulties on had \$100m.

be interesting to watch - providing an acid test of the Histadrut labour federation's willingness to give its own industrialists their discounties. It is a secretary-general. Mr Gaon says the moment of truth has arrived for the 65-year-old socialist organisation. If I

Israel is more sensitive than mogules of the Histadrut — a bastion of the Labour Party fighting nor 12 per cent of the country's supremacy — want over the coming months is television scenes. ing months is television scenes of at Koor over the past two months

rioting redundant workers.

The current furore in Israel over the future of the Alliance ers Mr Gaon inherited have tyre factory, a Koor subsidiary already gone, and further heads placed in receivership last month are expected to roll. Those who by Mr Gaon, could be a foretaste have been brought in are "people of things to come later this sum-

It was the first time that a Histary internal reorganisation of tadrut enterprise had been subjected to this indignity, and the employees' reaction has been predictably violent. An internal reorganisation of tadrut enterprise had been subjected to this internal reorganisation of describes as "a total mishmash" of 450 companies has streamlined dictably violent.

But this is a battle which the new executive team cannot afford process of decentralisation,

to lose. "It's a question of man-agement control," Mr Gaon argues. For Hevrat Ha'Ovdim – underway. literally The Workers' Company

- the statement speaks volumes about slowly changing attitudes towards employment and profit-

know that he will not find his sought-after foreign buyers unless he first puts his wares back into sound shape. Hence his recent decision to take Tadiran, an important defence and con-sumer electronics company, back off the block until it returns to About Shkitoom of last year's off the block loss was attributed to redundancy costs resulting from factory closures and the dismissal uct re-orients.

Within the new set-up, a product re-orientation is being imple of 4,900 employees. However, fin-ancing costs were only a third of those recorded in 1986. Indicating the scale of the task ahead of him, Mr Gaon said that out of the group's hundreds of factories "one can count on the mented. Food and consumer products will be heavily pro-moted, electronics and other high-tech goods are being main-tained at roughly their present level, while the loss-making met-als, machine tools and construcfingers of two hands those which are making a profit." He fore-cast, however, that this year's loss would be reduced to under being sought.

Koor is currently interested in finding either a UK or Dutch partner for the Israeli company's established, but lacklustre, black-African markets. A meeting with Lonrho executives has already been arranged for this week to discuss possible areas of co-operation with Koortrade, an international trading subsidiary can't afford it, I can't do it," has to be its new creed.

For the traditional behemoth anxious to develop its third-country activities.

Mr Gaon — a graduate of the Geneva-based International Manegement Institute who ran Koor trade's activities in Europe and Egypt before taking over Israel's leading food retail chain, another Hevrat Ha'Ovdim unit -expresses impatience with the management attitudes which used to prevail at Koor.

"It's an Israeli phenomenon to put off decisions, to decide not to decide," he comments, adding that speedy decision-making is one of the new virtues he is trying to instil.

Pulling out charts showing the rapid turnround achieved at other classic big-money losers in the business world, the Koor boss says there is no reason why the same transformation cannot not be achieved in Israel.

The difference is that in this Herculean task Mr Gaon is taking on not just a company but a national milieu which remains to be convinced that profits should But he is realistic enough to come before jobs.



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Taiwan bank moves opposed

BY BOB KING IN TAIPEI

have applied for government and approval to set up branches over-

move overseas. They also plan to scores a tussle between conservation, Texas, cannot be justified expand their scope to include international banking. Bankers have targeted centres

such as London, New York and Los Angeles. But officials of both the finance ministry and the central bank oppose concentration in these cities. They believe the banks should avoid competing

Singapore bottler

plans rights issue

FRASER AND NEAVE, the Singapore beverage group, is to raise \$\$151.2m (U\$\$74.3m) through a two-for-five rights issue to support

port future expansion, Our

The new shares are priced at \$\$3, representing a deep discount

to the \$\$9.10 market close yester-day. A rise of 20 cents reflected

news of this and a 15 per cent

increase in interim net profits to

Financial Staff writes.

FIVE OF Taiwan's leading banks head on with international banks gent controls. and — possibly for political reasons—seas, but have run into opposition from the finance ministry over proposed locations.

The banks, all government owned institutions, hope to widen business contacts as more Taiwanese companies and funds move overseas. They also plan to serious scores a tussile between conservations.

Bankers argue that excessive competition need not be a concern, as the leading money centres offer adequate business. In any event, they say, it is a matter for the banks and not the bureaucrats to decide. They add that other locations the Government is proposing, such as Housmove overseas. They also plan to - possibly for political rea-

sively minded bankers over the pace and scope of financial liber-

This disagreement, in turn, tor hands, a view that worries mirrors a larger debate as political conservatives. Neverthe-Taiwan strives to implement across the board social and politi- aimed at privatisation for the cal reforms after decades of strin- banks is currently under review.

ELDERS Resources NZFP (ERN), the newly merged Australasian

rural industries group, plans an all-paper takeover bid for Crown Corporation, a troubled New Zea-land foods supplier.

It said that for every four Crown ordinary shares it would

Anglo unit

who don't owe favours to any-one," he notes.

Most of Taiwan's bankers also

believe the time has come for the banks to be placed in private-secless, a finance ministry proposal

per cent acceptance.

Anglo American's exploration record in Australia, where it has operated for two decades, has been poor. Last-year, though, it won the rights to treat the long accumulated dross of Western Australia's Golden Mile, about 50m tonnes of soil in tailings dumps.

Poseidon said the start of this project next year meant Anglo would be a significant gold producer as well as having prospective gold proper-

Shares in the target rose 3 cents to 46 cents. Those in Poseidon dipped 1 cent to A\$2.44, valuing the bid at about 54 cents a share.

Poseidon in bid for

By Our Financial Staff

POSEIDON, THE Australian resources group, is making a A\$66.6m (US\$54.9m) bid for Anglo American Pacific, the local gold exploration arm of the South African mining

The Anglo parent, which retained about 60 per cent of the company after a flotation last year, made no immediate se yesterday. However, it had planned at some stage to reduce its holding to below a

Poseidon's paper offer, in the form of two of its own shares for every nine held, is conditional on a minimum 51

Earnings excluded extraordinary gains of \$\$45m from the sale of investments, up from \$\$4.1m.

| Closer classes of Crown equity. | Crown has been attempting to a disastrous of investments, up from \$\$4.1m. | Crown has been attempting to a disastrous of investments, up from \$\$4.1m. | It retains a meat exporting business and Richter, a North American specialty foods distributor. This announcement appears as a matter of record only

offer one ERN option convertible before April 1991 at NZ\$4.25. Differing offers are being made for other classes of Crown equity.

Zealand's second biggest meat group, to Union International, part of Lord Vestey's UK-based other classes of Crown equity.

ERN to mount all-paper

tion, a local investment company, which cost it about NZ\$100m

(US\$70.9m). Rada was an associate of NZ Forest Products and is being absorbed into the enlarged

In February, Crown sold its half share in Weddel Crown, New

offer for Crown Corp



compagnie bancaire

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June 1988

Saudis improvise on funding theme

BORROWING CAN be a tricky business, especially for those as out of practice as the Saudi Ara-bian Monetary Agency (Sama), the kingdom's central bank. It has been more than 20 years

since the country has had to raise funds. But it found itself facing two necessities, which called forth a rather strange Firstly, the kingdom needed to

find SP300n (\$50n) at a time of low oil revenues to help fund a projected \$10bn deficit in its SR191.2bn budget. Secondly, it had to avoid the problem of inter-est the paying or accommon of est, the paying or acceptance of which is forbidden under Islamic

This led Sama to invent a pecu-liar debt instrument that it calls a development bond. These pay

Bankers are confused over exactly what yields might be expected

investors through what is lestribed as cash flow from, so far, unspecified projects; meaning that the return on the bonds is able to be treated not as interest but as shared profit.

However, it is unclear whether the formula will go all the way towards satisfying the kingdom's powerful religious conservatives. And bankers are confused about posed to be and what yields One banker comments dryly: SRL5bn of the bonds to the king-

Korea-Europe

tranche priced

A SECOND tranche of shares in the Korea-Europe Fund, the Lon-don listed vehicle for investment

in the Seoul securities market, was priced yesterday at \$27.90 to raise a net \$30m.

The price represents a steep

This reflects the scarcity of

premium to latest net asset value

opportunities for foreign equity investment in South Korea,

Fund share

By Gordon Cramb

Finn Barre on the central bank's use of a novel debt instrument

ure out some way around the domestic market, Sama used as guines-pigs the state-owned Civil

Service Pension Fund and the for four years, and 9 per cent for General Organisation for Social five years.

Insurance (Gosi). These were con-

expatriate workers in the king-dom. The Government ended foreigners' participation in Gosi last sure, making the terms less year but has yet to provide promaticactive. sed refunds to most of these participents.
Although these funds could

sustain a large amount of bor-rowing, Sama preferred to place as much on the commercial insti-tutional markets as possible. The bank does not want to rely on borrowing from the govern-ment organisations and the kingdom's private sector is awash with excess liquidity. Bonds offer Sama a chance to soak up some of this and provide it with its

"Well, because of Islam we know dom's commercial banks on June nobody pays interest around 11, when the development bond here. That is why the Govern-formula was first unvailed.

ment came up with the bonds and its concept of projects and on the project-based cash flow gives differing yields, depending on how banks calculate it. re out some way around the rohlem."

In bringing the bonds to the five different maturities for the five different maturities are: 8.25 per cent for one year, 8.5 per cent for two years, 8.65 per cent for three years, 8.75 per cent for three years,

sidered as hest positioned to absorb an initial placement, which Sama made without disciosing the size.

It has generally been good absorb an initial placement, although the issue was somewhat. undersubscribed. Bankers say yields need to be improved. Gosi, in particular, has money. The three-year and longer rates to spare. By far the majority of are competitive but, with no secits funds has been collected from ondary market; bankers are wary. Interest rates around the world are under upward pres-

> Sama will probably offer better rates in the inture and it is also trying to establish a secondary market to make the bonds more

The agency is preparing a list of financial institutions that will be permitted to buy the bonds, which might include the Arabian American Oil Company (Aramco) pension fund and some govern-ment credit agencies, such as the Public Investment Fund.
The only buyers now permitted

increase the opportunity for profit.

This might make bankers more enthusiastic about taking the bonds, although one senior banker stresses that Sama has not belied banks into complying. Bankers say the development of the instruments will be similar to that for the Bankers Secured Deposit Accounts (BSDAs) which Suna first offered several years

The BSDAs were supposed to attract offshore riyals, but when they were first offsred the rates were uncompetitive and the notes could not be traded.

Now the BSDAs are considered esonable bank investments as Sama offers competitive rates and has changed rules on buying and selling them.

The outlook for the bonds is a series of gradual Sama adjustments

Because of this, the outlook for the bonds is a series of gradual Sama adjustments made as the fortnightly offerings continue. Sama is also thought likely to adjust rates of return that pro-vide yields more closely linked to those of US Treasury bonds.

"Sama is doing all right," a banker says. "It has just got to get the bugs worked out.

Wang enters financial services

WANG LABORATORIES, the US sion funds.

would offer a family of equity, bond and money market funds through Wang Funds, a Bermuda subsidiary, and through financial intermediaries. Other initiatives include a \$50m venture capital fund backed in part by the Tai-

wanese Government.

The new activities will be hanwhich prohibits direct share purchases from abroad. Just over 1.1m shares are being placed with institutions.

In March last year an inital 3m units were issued at \$10.71: shares in the fund dipped 2% yesterday to £18¼ (\$31).

The new activities will be handled by a subsidiary called Wang Development and Investment Corporation (WDIC), which became responsible for the parent company's financial activities last year. It manages, for example, some \$750m of funds, including \$200m of Wang employee pen-

go shead because he was "confi-dent the company's computer operations are being well man-aged by a strong team."

Wang had plunged into a deep loss in the first half ended

wang had plunged into a deep opment and Investment Fund, loss in the first half ended will draw its initial \$50m of capillecember 1987 because of tai from Taiwanese investors (60 restructuring and other costs. Its per cent), Taiwane's Bank of Comrecovery, faltered, however, in munications (30 per cent) and this year's fiscal third quarter wang (10 per cent). It aims to ended March because of disappointing orders and shipments. The pace appears to have picked

to providing leasing and other computer maker trying to Dr An Wang, founder and financial services to customers. The convert from severe setbacks chairman of the computer maker, among office equipment makers, early last year, is to diversify into said expansion of WDIC had been only kerox has a major presence under close study for the past in the financial service sector, it announced yesterday it would offer a family of emity such as a beauty for the past in the financial service sector, with operations ranging from specific properties. with operations ranging from insurance to Wall Street merchant banking.

Wang's Taiwanese venture capital business, Golden Gate Development and Investment Fund,

Mr Martin Goldman, president up again in recent months.

Although many other computer makers have financial substituting in Taiwan. Japan nears settlement on primary bond issue

By Stelan Wagstyt in Tokyo FOREIGN COMPANIES' share of the primary market in Japaof the urimary market in Japanese long-term government bonds could soon be greatly increased in a move which would settle one of the biggest outstanding bases in US-Japanese financial relations.

Coming in the wake of last week's settlement of a long-running dispute on agricultural trade, a settlement would provide further evidence of the willingness of both countries

provide intrier evidence of the willingness of both countries to stop arguing over specific differences in commercial affairs for the sake of better overall relations.

Foreign financial companies, chiefly US securities houses,

chiefly US securities nouses, have long pressed for an increased share of underwriting Japanese government bonds. The matter was brought to a head in April by Mr David Rulford, assistant US Treasury Secretary, in talks with Japanese officials. Japan then promised to increase the foreign share if the foreigners could show they were being treated unfairly.

The US embassy has in the last two months presented the Japanese Ministry of Finance Ministry of Finance American claim. The ministry has taken the complaints on board and is now pressing Japanese companies to concede market share to the overseas companies.

The ministry sells 20 percent of its monthly issue of 10-year bonds, the most important instruments, through an auction to competing underwriters, both Japanese and foreign. The remaining 80 per cent is sold to underwriting syndicate members according to a fixed formula.

Foreigners have regularly bought between 5 and 6 per cent of the issue - but have had to scramble at auction for at least half of this, since their share of the fixed formula issue is just 2.5 per cent of the total.

Nomura Securities, the Japanese securities company with day that a settlement was close. Salomon Brothers, the share among the foreign underwriters, said the foreign ACTIVITY MUTED AFTER BRIEF WAVE OF SELLING

Profit taking and interest rate fears hit earlier gains

A BOUT OF profit taking and balance of payments data for fears of rising interest rates yes. May showed a shortfall almost terday combined to eradicate double the market's median many of the gains posted last expectations.

The pound turned marketly week across the board in the expectations.

The pound turned markedly easier on the foreign exchanges, affecting sentiment. However, also muted while traders noted a delete and retail clienty reluctively wave of early selling of a tance to sell limited the losses crop of issues for UK borrowers with bargain hunting also thought to be affected by a recent detected as some stock began to inland Revenue announcement liok attractively chean Euros.

Eurodollar bond prices fol-lowed the US Treasury market-lower, hit by profit taking as the dollar eased from recent peaks and by a further rise in the Com-modities Research Bureau Index modifies Research Bureau Index.
Many of last week's new dollar: The new issue side of the mar-

modifies Research Bureau Index.
Many of last week's new dollarstraight issues slipped to trade to twas quiet with only a handful
outside their fees.

Many traders were put of the
lated a fight of the land
Revenue amouncement which
could affect up to 30 issues by UK
borrowers which were routed
through the tax havens of
Netheriands hashed financing suboutremeies and arc for issues are
ranging from Lloyds. Bank
through Lourho to Unilever.
However, although dealers said
the spreads between hid and offer
pulce widened swiftly in initial a
selling of the bonds was seen.

The announcement has certainly raised a lot of questions
about the future of the bonds was seen.

The insues are in issues after its launch it was
left in bear to be for the deal at
the spreads between the content of the bonds was seen.

The announcement has certainly raised a lot of questions
about the future of the bonds was seen.

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Inland. Revenue announcement look attractively cheap. Euroson the renegotiation of its double tering bonds also held up well-taxation treaty with the Nether-with no panic selling seen, and most prices ended only around %point down on the day.

> INTERNATIONAL BONDS

Zealand dollar market through a different issuing vehicle, Toyota Motor Credit Corporation. The NZ90m three-year issue at 14 per-cent and 100% was bid at a dis-count equal to its 1% fees. In West Germany, bond prices In West Garmany, bond prices opened down by an average of % point to fall to eight-month lows, with sentiment adversely affected by a growing conviction that the Bundesbank is set to raise the discount rate. However, markets received some support later in the day as the dollar succumbed to some profit taking but still finished with net losses. The Bundesbank calculated average yield on public issued paper rose to 6.27 per cent; the highest level since last October.

Commerciank was the lead manager on a Divilon five-year

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate second Agics 5-92 DM.

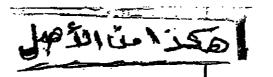
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Fuji Hay Inde 5-90.
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FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday June 27. In some cases the rate is nominal. Market rates are the average of buying and selfing rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US \$	D-MARK	YEN (X 100)	COUNTRY		E STE	US 5	D-MARK	CX 1000	COUNTRY		£ 516		D-MARK	-0X 100)
Afghanistan Albania		9 8415	58.2795 5.7789	32.0419 3.1772	44.5566 4.4181	Greenland (D. Grenada Gradalouse	(E Carr S)	463	6.9025 2.7187 6.1376	3.7949 1.4947 3.3744	5.2772 2.0785 4.6924	Ptra	Cinti	319.4la	33.0123 187.5572	18.1501 103.1184	25,2390 143,3939
Algeria Addorra	(Fr Fr)	9.8415 10.4525	5.7789 6.1376	3.1772 3.3744	4.4181	Guarr		1.7030	113/6	0.5497	0.7645	Philippines Pitcaire is ((Pena) (Sterling)	1.00 ·	20.1996 0.5871	11,1057 0,3228	15,4433 0,4489 1,1102
Angola	(Kwanza)	53.60	120 2583 31.4738	66.1178 17.3042	91.9416 24.0628	Gratenala	(Quet231)	1.7030 4.3680a	2,5648	0.5497 1.4101 166.1016	0.7645 1.9609	Poland	(NZ.5) (Zloty)	2.4730 785.85	1.4521 461.4503	0.7983 253.7046	352.7946 113.2210
Angola Antiqua Argentina Araba	(E Carr S) (Austral) (Florie)	3.0699	2.7187 8.4950 1.8026	1,4947 4.6705 0.9910	2.0785 6.4947 1.3781	Guinea Guinta-Bissa Guyatta	(Fr) o (Peso) (Geyenese \$1)	1114.75	654.5801 8.9547	359.8870 4.9233	230.9764 500.4489 6.8462	Pertogal Perto Rico	(Escado) (US S)	785.85 252.20 1.7030	148.0916	81_4205 0.5497	0.7645
Austrijia Austria	(Schilling)	2.0870 21.7750	1.2254 12.7862 148.0916	0.6737 7.0298 81.4205	0.9369 9.7755 113.2210	Halti Honduras	(Soude)	8.5750	5.0382	2.7683 1.0999 4.2846	3.84% 1.5295	Citar Control to de l	(Ripal) OF/Fe)		3.6647	2,0148	2.8017
Bahamas	Port Escudi) (Bulyama \$)	1 7030			0.7645	Hong Kong Hungary	(Conde) (Lempira) (HK \$) (Forlot)	13.2718 86.8004	7.7931 50.9691	4.2846 28.0227	5.9581 38.9676	Regalan is. de l Romania Rosanda	THE STATE OF THE S	14.78	6,1376 8,6788 79,1825	3.3744 4.7715 43.5344	4.6924 6.6352 60.5377
Bahrain Balearic is Bangladesh	(Dinar) (Sp Pesta) (Taka)	0.6465 204 80 53 00	0.3796 120.2583 31.1215	0.5497 0 2087 66.1178 17.1105	0.2902 91.9416 23.7934	Iceland Goel	تعددانه	78.3900 24.00	46.0305 14.0927	25.3075 7.7481	35.1919 10.7744	St Christopher St Helesa St Lucia	(E Carry S)		2 7197	1.4947	2.0785 0.4489 2.0785
Barbados Gelgium	(Barb \$1 (Belg Fr)		2.0254 38.1092	20.9523	1.5485 29.1358	indonésia iran	(Rigian) (Rigi)	2900.04 122.10	1702,9007	936.2518 39.4188 0.1732	1361 0250	SSEPleme (French Fr)	10.4525	0.5877 2.7787 6.1376	1.4947	4.6924
Bellze	(8 \$)	65 20g 3 4300	38.2853 2 0140	21 0492	29 2704	irish Rep Israel	(raqi (peri) (Punt) (Setel2)	0.5365 1.1520 2.7650	0.3150 0.6764 1.6236	0.3719	54.8148 0.2408 0.5171	St Vincent San Marino (It San Tome Saudi Arabia	(E Carr S) (Lira) (Carr S)	4.63 2297.00 129.20	2.7187 1348.7962 75.8661 3.7472	1.4947 741.5657	2,0785 1031,2908 58,0022
Berin Bermuda (l	(CFA Fr) Sermudian 3)	522 63 1 7030	306.8878 1	1 1073 168 7263 0 5497	1 5398 234 6262 0.7645	italy ivory Coast	(Lina) (CFA Fri	2297.00	1348,7962 306,8878	741.5657 168.7263	1.2413 1031 2008 234.6262	Saudi Arabia Stratal	GLFA FIT	267.03			2.8648
Bhatan Selivia Botswana	(Ngul(rum) (Boltriang) (Pula)	4.0646	14 0927 2 3867 1 8819	7.7481 1.3122 1.0347	10.7744 1.8247 1.4388	Jamaica (Jamaicae S)	9.1450 222.75	5.3699	2.9523	4.1054 100	Senegal Seychelles Sierra Lesse	(Rappe) (Leone) (S)	9.23 49.90 3.4773	5.4198 29.3012	2,9798 16,1097 1,1226	234,6262 4,1436 22,4017 1,5610
Brazili British Virgi	(Crozado) n is (US \$)	318.6750 1.7030	187.1256	102 8813 0 5497	143 0639 0 7645 1.5610	Jordan Clord		0.6245	130,7985	71.9128 0.2016	0.2303	Singapore Solomon is Sonali Rep		3.5322	2.0418 2.0741 100.7046	11403 55,3672	1.5857 76.9921
Grune! Gulgaria Barkino Fasi	(5ruse(\$) (Lev) (CFA Fr)	3 4773 1 5415 522 63	2 0416 0 9051 306 8878	1 1226 0 4976 168 7263	0 6420 234 6262 5 1941 113 5173	Karapacher Keeya (Ke Kiribasi (J	(Riel) Shiding) Listralian Si	170.30 30.30 2.0670	100 17,792 <u>1</u> 1,2254	54.9798 9.7820 0.6737	76.4534 13.6026 0.9369 0.7468	South Africa	(Rand)	3.9615c 5.5198g	2.3261 3.2412	1.2789 1.7820	1.7784 2.4780
Burma Burundi	(Kyat) (Barendi Fr)	11.5699	6 7938 148,4791	3 7352 81 6335	5 1941 113 5173	Kerez Horth Korez South Kurezit (Ku	(20%) (00%)	1.6636 1258,6250	1.2254 0.9768 739.0634 0.2808	0.5370 405.3357 0.1544	0.7468 565.0392 0.2147	Spale Spanish Ports I M Africa	(Pesera)		120.2563	66.1178 66.1178	91.9416
	(CFA Fr) (Canadian S)	522 63 2 0560	306 8878 1 2072 120 2583	168 7263 0 6637	234.6262 0 9230				352.4662 355.3901	193.7853 195.5028		Sri Lanka Sudan Ren	Sp Pesta) (Rupee) (E)	53.00 7.7175	31 1215 4.5317	17,1105 2,4915	91.9416 23.7934 3.4646
Canary is Ca Verde is Cayman is	(C) Z)	204.80 122.56 1.4235	71.9671 0.8358	66.1178 39.5673 0.4595	91 9416 55.0213 0 6390	Lebanen Lesotha Liberia	Olea Kip) Octonese (D (Maint) Octoerian (S) Digan (Digar) (Søts Fr)	605-57 3.9615 1.7030	355.5901 2.3261	1.2/89	269.4725 271.8608 1.7784 0.7645 0.2226	Syrinzm Syzziland (Sweden	(Exilder) (Lipopedi) (Krenz)	3.0613 3.9615 10.6700	1.7975 2.3261 6.2654	0.9883 1.2789 3.4447	3.4646 1.3743 1.7784 4.7901
Cent Air. Re	p (CFA Fr) (CFA Fr) Chilean Petol	122 ki 122 ki	306 8878 306 8878 247 6805	168.7263 168.7263 136.1743	234 6262 234 6262 189 3602 2 8832	Libya (L Liechassehr Luxemboure	(Series Fr) (Lux Fr)	0.4940 2.5630	0.2912 1.5061 38.1092	0.5497 0.1601 0.8290 20.9523	0.2226 1_1515 29.1358	Seltzerland Spria	(Fr) (E)	10.6700 2.5650 45.4475	1 5061 26.6867	0.8280 14.6723	1 1515 20.4029
China (Re	amiriki Yuan)	6.4225	3 7712 298 3382	2 0734 164 0258 168.7263	225.0577	Macro	(Pataca)	13,7778	8.0903	4.4480	6.1853	Tahran Tanzania	(2) (وملا) ادلی	49.6750 166.95	29.1691 98.0328	15,0371 53,8983	22 3007 74 9494 19 3041
Colombia Compro Is Congo (Braz Costa Rica Cuba	(CFA Fr) (CFA Fr) (Colon)	522 SS 522 SS 128 SS	306.8878 306.8878 76.1303	168.7263 168.7263 41.8563	234.6262 234 6262 56.2042 0.5863	Madeira (I Malayasy Re	Part Escado) CME Fr) Keschal	252.20 2062.25	148.0916 1210.9512	81.4205 665 7788	113.2210 925.8136	Thelland Togo Rep	(Babt) (CFA Fr) (Ps Angs)	43.00 522.63 2.0870	25,2495 306,8878 1,2254	13.8821 168.7263 0.6737	234,6262
Cibra	(Carban Peso) (Cyurus D		0 7669 0 4756	0 4216 0.2615	0.3636	Malayasy Re Malaysia Malaysia Maldive is	(Ringgit) (Partiya)	4 4740	1210.9512 2.6467 2.5962 10.1711	1.4552 1.4285 5.5920	2.0235 1.9864 7.7762	Tenisla	(Diaar) (Saadii)	6_1740 1_5148	3.6253 0.8894	1.9932 0.4890 ·	0.9369 2.7717 0.6800
Czachosloval	tja (Koruna)	9 4% 16.45i 15 84t	5.5490 9 6594 9 3012	3.0508 5 3107 5 1138	4 2424 7.3849 7 1111	Malta Malta Martinisma	CHATES D	0.5760 16.4525	0.3382 6.1376	168 7263 0.1859 3.3744 41.1240	234 6262 0.2585 4.6924	Turkey Turks & Calcos Tuvales (As	(call) G2 SU) G2 cellente	2405.35 1,7030 2,0870	1412.4192 1 1.2254	776.5456 0.5497 0.6737	1079.8428 0.7645 0.9369
Denmark (Dr	ulsh Kronyr)		A 9825	3 7949	5.2772	Mauritania Mauritius (I	(Coldenia)	23.30	13.6617	7.52 <u>21</u>	57.1259 10.4601	Uganda (Ne) U A E	Shillingi (Dicham)	103.65 6.2495	60.8631 3,6697	33 4624. 2.0175	
Djibouti Rep Dominica	(Djib Fri (E Carrie S) tea (D Pese)	300 00 4 63	176.1597 2.7187 5.0352	96 8523 1 4947 2.7683	134 6801 2 0785 3 8496	Mexico (M	edicae Peo)	3944 504	2283,6758 2316,2066 6.1376	1245.5609 1273.4463 3.3744	1745,9483 1770,8193	United Kingdon United States	ເຂີຍທີ່	1.00 1.7030	0.5871 1	0.3228 0.5497 187.2251	46.5319 2.8056 0.4489 0.7645 260.3501 0.4873
Ecandor -						Monagolia Monagolia Monagolia	(Local Fr) Greech Fr) (Cognition (E Carr S)	2.7517	51376 3.3791	3 3744	4,6924 4,6424 2,5834	Uniquay USSR	(Peso) (Rouble)	579.93 1.0855	340.5343 0.6374	0.3504	
Egypt El Sahrador	(Eerotian ()	425,020 732,514 3,9450 8,5175	249 5713 430 1291 2 3168 5 0014	137 2138 236 4842 1.2736 2.7497	190.8058 325 8484 1.7710	Moracce Moracce Mazumbiese	(Dirbam) (Dirbam)	4.63 14.14 779.47	6.1376 3.3791 2.7167 8.3029 457.7040	1.8578 1.4947 4.5649 251.6448	2.0785 6.3479 349.9304	Vanicas Vaticas		171_50 2297.00 24.8675e	1348.7962	55.3672 741.5657	76,9921 1031,2008
Ej Salvador Eguat i Guin Erbloota (Et	(Colon) ea (CFA Fr) hiopian Sirr)	822 63 822 63 33324	306.8878 2.0642	2.7497 168.7263 1.1349	3 6237 234 6262 1.3781	Namibia Namub C	CA Rand	3.9615 2.0670	2.3261		1.7784 0.9369	Vençmela	(Bollean)	12.86p 56.1300i	14.6021 7.5513 32.9594	8.0282 4.1517 18.1210	11.1638 5.7732 25.1986
Falkland is	(Falk C	1.00 11.7550	0 5871	0.3228	0 44 89 5 2772	Nepai (Nep Netherlands N'nd Antilles	alese (Amee)	38,2445	22.4571 2.0493 1.8026	1.2789 0.6737 12.3468 1.1267	17.1692 1.5667	Vietnam Virgin is-Britis Virgin is-US	(Dong) (USS) (USS)	431.12 1.7030 1.7030	370.5930	203.751A 0.5497 0.5497	283.3310 0.7645 0.7645
Farot IS (D) Fig. Is Fieland	wish Kroner) (FIRS) (Markita)	2.3778 7.3378	6.9025 1.3962 4.3087 6.1376	3.7949 0.7676 2.3689	1.0674 3.2941	N to Anulies	az s	2.4730	1.4571	0.9910 0.7983 5.5012	17.1692 1.5667 1.5781 1.1102 7.698 234,6262 3.4061	Western Samos		3.4800	2.0434	1.1234	0.7645 1.5622
France Fr. Cty/Afric Fr. Galana	(Fr) CFA Fri (Local Fr)	10 4525 522.63 10.4525 188.00	6 1376 306 8878 6 1376 110.3934	3 3744 168 7263 3 3744	4.6924 234 6262 4.6924	Nicarages Niger Rep Rigerta Horsey	(Cordoba) (CFA Fr) (Haira) (Mor. Krone)	7.5872	10.0058 306.8878 4.4551 6.6030	168,7263 2,4494 3,6303	234,6262 3.4061 5.0482	Yemen Yemen POR	(Rial) (Dipar)	17.57 0.5882	10.3170	5.6723 0.1898	7.8877 0.2640
Fr. Pacific I				60 6941 168 7263	Q4.JYY		riei Çmani)		0.3875	0.2136	0.2962	Yugoslavia 	(Disari	3800.00	0.3453 2231.3564	1225.7958	1705.9483
Cabon Cambia Serment Zar	(CFA Fr) (Dalasi) (Ostmark)	11.490 5 3.0975	306 8878 6 7472 1 8188	3.70%	234 6262 5.1584 1.3905 1.3905 146.2895	Pakksan (Pak Roseti (Raitea)	30.30 1.7030	17. 792 1 2	9.7820 0.5497	13.6026 0.7645 0.6510	Zaire Rep Zambia Zimbabwe	(Zairt) (Krracha) (S)	317,7940 13,40 3,09	186.6083 7,8684 1,8144	102,5969 4,3260 0.9975	142.6684 6.0157 1.3872
Germany We Ghana	st (DMark) (Cedi)	3 0975 325 86	1 8168 191.3446 0 5871	105,2009	1 3905 146 2895 0 4499	Paratosty	eines (IClas)	1.4502 545.12o	320,0999	0.4681 175.9870	0.6510 244,7227		_		٠.		

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THF reaches £59m and plans sales

Trusthouse Forte, the hotel and bought by KB in a package with catering group, yesterday the Londonderry for a total of pre-tax profits to £59m for the six profits to £50 months to the end of April.

THF also announced that it

expects to fetch up to £100m from the disposal of certain hotels including the Londonderry in Park Lane – bought as part of the acquisition of Kennedy Brookes in March for £174m (before the assumption of debt).

Mr Donald Main, THF finance director, said that at least 10 companies had expressed interest in buying the 150-room Londonderry – just down the road from THF's Grosvenor House Hotel - and it now seemed appropriate to hold an

Mr Main said that this should raise at least £80m, to be topped up by the sale of part of KB's portfolio of country hotels. It was not intended at present to sell the Howard Hotel in New York.

In attributed what he called a figure in 1986.

It was not intended at present to sell the dramatic increase in profits to a Turnover from hotels was price. The price is the called a figure in 1986.

Turnover from hotels was price.

against the cost of the KB acqui-sition and would not effect the profit and loss account.
Yesterday's figures include no

contribution from KB. In line with expectations, they set the company on course for pre-tax profits of about £210m in the full

Earnings per share rose by 37 per cent to 5.2p in the traditionally quieter first half, whilst sales rose from £764m to £878m. The interim dividend was raised to 1.76p per share (1.53p), an increase of 15 per cent.
THF's catering businesses did particularly well: trading profits



Rocco Forte: dramatic increase

particularly well usung partic

lower than the current share

(£258m), whilst profits rose from £44m to £50m. The improvement in margins was achieved despite

a 20-30 per cent decline in the number of US visitors to the UK,

due to the low value of the US dollar and the repercussions of

Despite lower occupancy levels

in the London luxury hotels, occupancy levels rose overall by

s per cent — although to what level was not disclosed. Achieved room rates climbed by an average of 7 per cent.

The contribution from the

Savoy was unchanged at £5m, whilst property profits were £3m

(£1m). Interest absorbed 19m

(£21m) and tax £17m (£13m).

THF's shares closed 10p down at

October's stock market crash

GC&C spells out ambitions for ID brands

of Irish whiskey, want to build the distiller's Bushmills and Jameson products into major for an independent ID were bleak

international spirits brands. Gilbeys and Cantrell & Cochrane, the Irish subsidiaries of GrandMet and Allied Lyons In the home market, the docurespectively, have set up GC&C ment claimed that irish whiskey Brands, a joint venture company, to mount the bid. GC&C outlined its ambitions for the brands in lic in 1983 to 33 per cent in 1987. the offer document, published In overseas markets in 1987.

performance at home and over-seas, claiming that the prospects in a market where brands were being concentrated within large

sales dropped from 38 per cent of branded spirits sold in the Repub-

bulk exports of unbranded whis-

THE IRISH subsidiaries of Grand offered 315p per share, which is Metropolitan and Allied Lyons 18 times ID's historic earnings which are mounting a joint hostile I£200m (£172.89m) bid for litems.

Irish Distillers, the sole distiller The document attacked ID's nice together boasted nearly 20

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The document attacked ID's nice together boasted nearly 20 per cent of this market.

Claimed that the price offered for The document stated: "It is ID could not be compared with Cantrell & Cochrane's and Gil- tha

join the top 100."

ID shareholders are being key accounted for more than half as realistic for a business where export markets.

beys' ambition that the Bush-mills and Jameson brands should much higher multiples had been

GC&C maintained that if the joint venture acquired ID, the two partners would divide the milicant percentage" of its profits whiskey portfolio and market the came from activities such as cash brands in competition with each and carry. Also, it did not possess other. GC&C described its cash offer or control distribution in key

S. G. WARBURG GROUP plc

Results for the year ended 31st March, 1988

	Years ende 1988	nded 31st March 1987	
	£000	£000£	
Profit before taxation but after transfers to banking inner reserves	111,130	98,028	
Earnings attributable to Ordinary shareholders before extraordinary items	64,505	62,452	
Earnings per Ordinary Share actual	37.4p	41.3p	
Dividends per Ordinary Share	11.5р	10.0p	
Total disclosed capital resources	705,539	506,498	

Given the wide swings in market conditions during the year, the outturn is most encouraging. It demonstrates the soundness of our strategy in building a well-balanced investment banking, securities and asset management group with a strong domestic base and continuously expanding international activities.

WARBURG

The diversity of our operations provides long-term protection for our earnings.

Thus our equity business had a very good first half and a weaker second; the trend of our fixed interest business was the reverse. Other areas - corporate finance, treasury and foreign exchange

operations - were strong throughout and Mercury Asset Management had an excellent year. We shall go on selecting the range and

adjusting the balance of our activities, developing and investing in our personnel

and systems in the Europe and in New York, Tokyo and those other overseas centres which we have identified as essential to the profitable pur-

suit of our strategy. We are confident of our ability to meet our aim of giving shareholders a rising return on their investment.

David Scholey, Chairman

The Annual Report of S. G. Warburg Group plc will be posted to shareholders on 1st July, 1988. Copies may be obtained after that date from the Secretary, 33 King William Street, London EC4R 9AS.

S.G. Warburg & Co. Ltd.

Warburg Securities

Mercury Asset Management Group plc

London □ New York □ Tokyo

Auckland □ Boston □ Geneva □ Hong Kong □ Isle of Man □ Jersey □ Melbourne □ Milan □ Paris □ San Francisco

Singapore □ Sydney □ Toronto □ Zurich

Guinness to sell **Cranks** restaurants

By Lisa Wood

Cranks, the health foods and

vegetarian restaurant chain, is being put up for sale by Guin-ness, the drinks group which bought it in 1985 for £1m. The business, with net assets of £3m and an annual turnover of about £4m, has six outlets in London and one in Devon. The chain, started in 1961, slipped into loss less year slipped into loss last year when it financed the building of a new bakery and acquired two new outlets.

Guinness, which has been selling off businesses it regards as peripheral to its core activities, said it had made a long review of Cranks and had decided it did not want to be in the restaurants business. This was despite the fact that Cranks was a niche

business in a growth area of the food business. "The Cranks brand-name is a good one," said Guinness, but it does not fit our strategy." In addition to focusing on its core drinks activities, Guinness has retained a few businesses such as Champ-neys, the health farm, and Gleneagles Hotel in Scotland. Guinness said that Champneys and Gleneagles were both known internationally whereas Cranks was more Lon-don-based.

AAF sells S African investments

By Philip Coggan AAF Investment Corporation

investments and become an international investment arm for the South African industrial conglomerate, FS Group.

The deal is part of a restructuring of FS, which acquired AAF's parent company, W & A, last year. AAF's main asset was a 50 01 per main asset was a 50.01 per cent holding in a South Africalled Hunts, which in turn held share stakes in several

is to sell its South African

quoted South African gro It is now proposed that AAF sells its holding in Hunts to another part of the FS Group. AAF will receive £16.2m cash which it will use to invest in on-South African assets. "We will be looking for majority shareholdings in companies, principally in the UK", said Mr Peter Greenhalgh director, yesterday.

Warburg up 13% despite second half setback

BY DAVID LASCELLES, BANKING EDITOR

S G Warburg Group, London investment banking concern, managed to raise pre-tax profits for the year to March 30 by 13 per cent to over £111m despite last October's market crash.

However, the results showed that profits were more than halved in the second part of the year as the fall in equity prices and reduced market turnover took their toll. Earnings per share were also down.

Merchant banking and securi-ties profits for the whole year, after transfer to inner reserves, were £79.9m, down from £81.7m. But the bulk of this - £57.2m was earned in the first half of the year when the bull market was at its height. Second half profits were only £22.7m.

Warburg's earnings from asset management, represented by its 75 per cent interest in its fund management offshoot, Mercury Asset Management, were £39.1m, up from £22.8m. The breakdown showed £23.9m coming in the first half, and £15.2m in the sec-

\$38m the previous year. Profits in results had also come from the first half were £76.8m, and in money market and foreign the second half £34.3m.

impact at £20m-£30m at the pre-tax level.

Warburg is increasing its total dividend by 15 per cent to 11.5p through a proposed final of 8p. But earnings per share were down by 10 per cent to 37.4p from 41.3p owing to last year's rights issue

Sir David said that bearing in mind market conditions "I believe that our outturn for the year is most encouraging. It demonstrates the soundness of our strategy in building a well-balanced investment banking, securities and asset management group with a strong domestic base and continuously expanding international activities".

He noted that while equities had had a difficult time in the second half, the group's fixed income business had done well. The corporate finance department had performed well

Sir David Scholey, chairman, declined to put a figure on the burg had treated the BP loss as a total impact of the crash on the normal trading loss, and had also

Institutional shareholders in

group yesterday. However, War-burg has already disclosed that it lost £8m after tax on its share of last October's BP underwriting.

Profit attributable to shareholders of £64.5m (£63.8m) repre sented a return on average capi-tal of 13.1 per cent, which Sir David said was below the group's

long term target.

He said that the current level of business in the group was "encouragingly busy", though prospects depended heavily on the outcome of the US elections. He also criticised other unnamed - investment houses which, he said, were prepared to suffer heavy losses in order to gain market share. He described such tactics as "destabilising". He added: "Competition is healthier and the whole system is stronger if profitability is the yard-stick applied by all the market

Mr Peter Stormonth Darling, chairman of Mercury Asset Management, said his group had managed to increase funds under management during the year Altogether, Warburg's pre-tax throughout the year despite a from £21.4bn to £23bn, reflecting profits, after interest on loan cap-slow period in the immediate a good level of new business ital, were £111.1m compared to aftermath of the crash. Good gained, and this had helped the company achieve its rise of 72 per

cent in pre-tax profits.

Mercury's total dividend is to be 12p, the first since flotation

Millicom proposes Racal should demerge Vodafone

BY PHILIP COGGAN

Millicom, the US communications group which is the largest Racal have expressed disquiet shareholder in Racal Electronics, that a Vodafone float would has taken a further step in its result in a dilution of their inter-campaign against Racal's plans est in Vodafone, since any new to float off Vodafone, its mobile shares might have to be issued at a discount to their real value in

elecommunications subsidiary. a discount to their real value in the US group has formally order to attract new investors. requested the Racal board to put Millicom's demerger proposal, a resolution to shareholders at if adopted, would involve existing the forthcoming annual meeting shareholders being given shares proposing a demerger of Voda- in a new and separate company, proposing a demerger of Voda-fone.

Scott's Restaurant

The consideration for the Mirainterest going to Scott's.

Ibstock Johnsen

Ibstock Johnsen, quality brick and pulp manufacturer, has acquired a further brick manu-facturing business in the US. Glen-Gery, Ibstock's US subsidbelle restaurant, which Scott's Restaurant is selling to Brent Walker, is being reduced from facturing business in the US.

San to \$253m as part of a deal allowing the two parties to share the costs of a fee payable for the the costs of a fee payable for the facturing assets and related activities of the New Jersey Shale Brick Corporation for \$15.2m about 50m bricks a year.

Leisure resumes bid talks with Bentley's

By Nikki Talt

Negotiations have resumed between Leisure Investments amusement centre and spooke club group, and Bentley's of

Piccadilly.
Earlier this month, Leisure launched a £5.5m all-paper offer for Bentley's. However, Bentley's said that ahead of the bid there had been discussional than the bid bid the bid bid the sions about a possible offer from Leisure, but at much higher terms. It recommended, and continues to recommend

shareholders to take no action. Shares in Bentley's, which was born out of a deal between Oodles and Dolamore, used to trade under rule 535, but this facility has been barred by the

Stock Exchange. Yesterday, Leisure said it had always been prepared to pay a bit more if it could establish the true value of the group. It pointed out that this was difficult to do when the accounts were so out-dated. for the year to end-December



RECORD PROFITS

Year ended 31st March	1988 £'000	1987 £³000	Increase
Turnover	375,558	318,708	18%
Profit before tax	57,518	44,173	30%
Earnings per share	18.9p	15.8p	20%
Dividend per share	6.9p	6.0p	15%

CL I am confident that the emphasis we are placing on retailing, together with the strengthening of our management team, will ensure a highly successful future for the Group. 🎾

> Tom Duxbury Chairman 27th June 1988

Copies of the 1988 Annual Report and Accounts are available from the Company Secretary, Magnet PLC, Royd Ings Avenue, Keighley, West Yorkshire BD21 4BY.

Dowty, diversified aerospace and France Airbus A-320, for which in the aerospace and trial divi-electronics group, yesterday Dowty makes landing gear. reported a 15 per cent increase in pre-tax profits to \$61.1m, against £55.7m, for the year to March 31. Turnover rose 9 per cent from 2573.5m to £624.8m Mr Tony Thatcher, chief execu-

tive, said that Dowty was making real progress, following a strate-gic review carried out by the new management team which has been in place for 18 months. "We feel we are on a very significant growth path now," he said.

Prospects for this year were "promising", as a result of steps taken to improve operating efficiency and a 14 per cent increase in its order book, which now stands at £660m. Mr Thatcher said that the com-

pany was unlikely to be affected increased sales by £51.7m and by Sunday's crash of the Air pre-tax profit by £2.1m, primarily

The result was achieved

despite the adverse effect of currency translation, which depressed sales by £25.2m and pre-tax profit by £3.1m. However hedging practices helped protect the group's trading activities from currency fluctuations. On main project pack as Alshag it major projects such as Airbus, it has forward cover until 1991.

The figures were further affected by redundancy costs of 21.4m (53.2m). There was an

extraordinary charge of £14.7m (£6m) to make provision for the costs of further closures and disposals of parts of the business which are not compatible with

Acquisitions during the year increased sales by £51.7m and

The divisional breakdown of These results were better than operating profits was: aerospace expected, prompting a 7p boost to £29.6m (£25.6m); electronic Dowly's share price. Dowly is systems £12m (£9.3m); informatic acquiring an increasingly strong tion technology 99m (25.3m); min-reputation in the City as its new sing \$10.7m (£11.9m); industrial management reshapes the com-\$10.5m (£5m). Turnover increased pany through acquisitions and throughout the company except rationalisation. The company has in the mining division where it a broad base of businesses, which fell by 16 per cent to £144.4m, a offer a fair degree of long-term fall predicted after an exception stability. In the aerospace busistrong performance last year, ness, for example, acquisitions made last year have opened the Gearing increased to 41 per door to Boeing, with which cant (11 per cent) as a result of Dowty does business of \$100m a feet a feet of the course of the cou

GA holders lose vote on £320m bid for NZI

Shareholders of General Accident have lost their right to vote on the composite insur-er's 2320m bid for 51 per cent control of New Zealand b NZI Corporation because GA's advisers in London failed to understand a statement from the Stock Exchange.

By Nick Bunker

the Stock Exchange.

GA is buying its controlling interest in NZI by paying £264m — £148m in shares and £116m in cash — for the 38 percent stake in NZI formerly held by Brierley Investments.

GA is then taking that stake up to 51 per cent, firstly by selling-lits own existing Australaxian operations in return for new NZI shares, and secondly by subscribing NZ\$ 59.75m (£24m) for another tranche of shares in the group. Under Stock Exchange rules. Under Stock Exchange rules a hid of this nature would nor a ma or uns parare would nor-mally be subject to approval from a general meeting of GA's shareholders, because of the size of the deal and because less than half the total consideration is to be satisfied

consideration is to be satisfied with the issue of GA shares. However, an unusual paragraph in GA's offer document reveals that the Stock Exchange has had to waive the rule in this case after discovering that J. Henry Schroder Wagg, GA's merchant hank, and Hoare Govett, its stockhroker, did not tell GA that shareholder approval might be

Mr John Aston, a Schröder director, said yesterday that Hoare Govett was given the job of checking in advance with the Stock Exchange Quo-tations Department whether a shareholders' meeting would he necessary.

"Somewhere along the line what the Quotations Depart-ment said got misunderstood. It would be wrong to appor-tion blame," Mr Aston said.

According to the offer docu-ment, GA's advisers reported back to the company that the Exchange said there was no need for a shareholders' meet-

However, they did not inform GA that the Stock Exchange had added a caveat to the effect that this would only apply if the majority of the consideration was to be satisfied by an issue of shares.

"This qualification and its implications were not communicated to the company (General Accident) which accordingly entered into the purchase agreement which is not conditional upon share-holders' approval," the offer

According to Mr Aston, the Stock Exchange noticed the enth hour". The Stock Exchange said yesterday that it waived its rules in this case to defend the best interests of GA's shareholders.

acquisition meant that there was scope for differing interpretations about how to apply the rules, Mr Aston said.

First National Finance advances 36% to £30.5m

First National Finance Corpora-residential homes, tion achieved a 36 per cent strongly to £6.17m (£3.5/m). Howadvance in pre-tax profits to ever, Mr Richard Langdon, chairman, said profits would be more
the six months to the end of than last because of the bad win-

April was \$7,500 (23,500). The company, which was a casualty rescued by the Bank of England's lifeboat during the 1970s, started paying tax again only last year after a 15-year break.

Earnings per share on a fully diluted basis moved from 11.5p to The bulk of the profits came

from the consumer credit divi-sion which made £20.3m (216.53m). Home improvement (216.53m). Home improvement (bans account for about 25 per cent of the division's lending. Demand for them seems to have been unaffected by Budget changes making borrowing for this purpose less attractive, the company said. The rest is mainly first and second mortgages.

again. During the first six months, profits from lending to small and medium-sized compa-13.8p. An interim dividend of 3.5p nies increased to 25.74m (34.67m). (3p) is being peid. Central interest costs fell to £1.68m (£2.34m). FNFC's earning assets now total more than £1.2bm, up from £830m at the end of the past financial year.

After a period during which the commercial lending book shrank through redemptions,

business was now increasing

ter of 1986/7.

Last month, the consumer loans division, previously known as First National Securities, was renamed First National Bank and the commercial lending side First National Commercial Bank: this division, acquired from P&O-in The contribution of the prop. April 1986, used to be known as city division, which mainly sells Twentieth Century Banking.

Not only are suppliers of consumer credit out of fashion, but FNFC suffers from a tax charge FNFC suffers from a tax charge rising inexorably as its tax losses, expected to be about £25m by the end of the year, run out. This means the market is likely to respond churlishly however well FNFC does, though it is widely admired from a management point of view. The default rate on its loan book — which is entirely floating rate — is well below the average, and improving. In an environment in which consumer lending overall is likely to level off, the company has been works.

comment

off, the company has been work-ing hard on increasing its market. share with a recent promotion campaign for the new name, First National Bank. This has had the National Bank. This has had the effect, it says, that the individual size of loans asked for has gone up — a healthy sign for margins. The company could make £70m pre-tax this year. On this basis, the shares, yielding about 5 per cent, stand on a modest multiple of fust over 8 — but they will probably stay there. probably stay there.

Second half downturn checks Wooltons growth

On turnover up 9 per cent at £21.71m (£19.97m) this USM-quoted curtain retailer and direct Omeware marketing company eported pre-tax profits for the ear to February 28 up at £1.25m. against £1.2m. At the halfway stage profits had risen from £184,000 to £456,000.

The company said that the aunching of the Curtainz concept had incurred considerable the consumer wished to trade unter the company said that the business trading in the Wooltons curtain retailing business. The shares finished the day 10p lower made. ept had incurred considerable

Industries for the year ended

April 7-1988. Pre-tax profits for

idend is being maintained at 1p.
Turnover in the clothing divi-

sion was £33.3m (£34.7m) and the

loss came to £297,000 against

profits of £521,000. The company's

other division, manufacture of sound reproduction equipment,

Clothing losses cut

Celestion to £70,000

A LOSS in its clothing division continued its progress and lifted caused a setback for Celestion profits to £367,000 (£248,000) on

the group fell 90 per cent to (charge £208,000) earnings per £70,000, from £769,000 last time. share worked through at 0.6p

However, a twelve-month pen- (2.4p). sion holiday saving £203,000 has There was also an extraordi-cushioned the result, and the div-nary debit of £23,000 (£38,000).

PROFITS in the second half at at 125p.

Wooltons Betterware Group fell

Earnings per 10p share were
23 per cent compared with the
8.94p (8.65p) after a lower tax
same period in the previous year.

charge of £351,000 (£433,600): The directors are recommending a final dividend of 3p (2.5p) making a total for the year of 4.4p (2.5p).

The company said that the Betterware direct selling division had an excellent year with profits up 67 per cent despite high investment. Further improvements in its profits were seen.
Within the Wooltons curtain

shops there was evidence that

turnover of £10m (£9m).

After a tax credit of £80,000

Campbell & Armstrong surges 90% to near £2m

Campbell & Armstrong, acquisitive Manchester-based office and shopfitting group, yesterday reported pre-tax profits up 90 per cent to £1.9m in the year to March 27.

The result was posted on turnover sharply higher at 123 km (56 20m)

223.8m (£6.89m). However, Professor Roland Smith, chairman of the USMquoted company, said that profit margins being achieved in one or two of the newly-ac-quired businesses provided opportunities for future

In this context he singled out Irwin Group, the general and specialist contractor purchased last year in a £3m deal.

The tax charge increased to £478,200 (£355,000), leaving continue to the for new factors and for the forms. earnings per 5p share 67 per cent up at 16.5p (9.9p). A final dividend of 3p is pro-

posed, making 4.5p (3.2542p) for the year.

Professor Smith said the group had began the current year with a strong order book in most had been year with a series in most businesses.

Trading in the first three maths was "at a good lev-

IIEO

Graquitle Davies Limited 8 Lovet Lane. London EC3R SEP Telephone 01-621 1212

TR Energy criticised over management fee

UNHAPPY shareholders at TR inspire confidence", he comment company, yesterday challenged a board decision to increase the annual management charge in the wake of recent percharge in the wake ment company, yesterday challenged a board decision to that the fee should be based on the annual management the return to shareholders or on the same and queried the

Attendance at the annual most. ing in Touche Remnant's Mermaid House in London was sparse - some 20 people in all -but a number of the shareholders took issue with the board over the company's recent record.

"The fees are excessive," declared Mr Ian Hurst, claiming that much of TRE's portfolio involved royalties, passive invest-ment and minority holdings. The recent performance, in particular

Turnbull Scott

holds recovery

with over £1m

After its near £500,000 profit

in the first half, Turnbull Scott Holdings has pushed on to produce £1.18m pre-tax for the full year to March 31 1988.

That compared with a loss of £447,000 last time, and the dividend is doubled to 18p, the

final being 13p. Exceptional charges were

cut substantially, from £682,000 to £14,000. Turnover fell to £14.3m (£17.2m).

Leading the year's growth was the shipping side, which showed a turnround from a

deficit of £229,000 to a profit of

£324,000. Loss-making ships were sold; in the second balf the Yesemins was disposed of

and the contract with TS Con-

bar, covering dredgers and related equipment, was termi-

nated with some compensa-

Engineering improved to

(£276,000), property £91,000

£100,000 (£18,000). Sale of the

fishing fleet was completed -

\$260,000 (charge £251,000).

a net asset basis, and queried the decision to raise the annual management charge from 1 per cent to 1.5 per cent on January 1.

TRE - which almost doubled its size via the acquisition of Energy Recovery Investment last year – is managed by Energy Management and Finance, which is owned jointly by merchant bank Kleinwort Benson and Mr Hurst's comments were

endorsed by a couple of other shareholders, who also asked about the valuations/prospects income of \$407,000.

During the period, TRE made a

\$2.9m provision against fixed
asset investments — a
write-down which the statement from Lord Remnant, chairman, better position than it had been blamed principally on market for some time. The company and currency movements. The plans to circularise shareholders loss per share in the six mouths—shortly with a scheme to elimi-

period was 8.3p, against a 3.5p nate the deficit on the profit of deficit in the previous 12 months. loss account, which — in turn - Yesterday, Lord Remnant would allow it to return to the stressed that the management fee dividend list. Lord Remnant said was worked out on assets after it hoped this could become effective downs but ahead of borrow-tive in the antumn.

Eldridge on target with £1.4m

and were in accordance with plan. Profits before tax were up 9 per cent from £1.28m to £1.39m. The full year would continue to be restrained by launch costs of Labbatt's Lager and site disruption caused by the building of the new bonded warehouse, explained Mr Christopher Pope,

But the success of the new

lager, the many major pub developments opened recently, and mentionable points were the **Sterling Publishing**

it at about £1m.

cent to £6.25m

tor of business-to-business pub-lishing, particularly overseas.

Acquisitions made last summer

books 55% advance

Sterling Publishing lifted pre-tax profits and sales by 55 per cent in the year to March 31 1988. Profits of the USM-quoted group rose from £1.11m to £1.72m and sales from £7.93m to £12.25m.

£2.62m. The association with Debrett's Peerage generated rever the year to March 31 1988. Profits of the financial year, Debrett's was acquired in a deal which valued from £7.93m to £12.25m.

£2.62m. The association with Debrett's profits rose 66 per cent to £24.000 in the half year to March 31.

Turnover rose to £5.37m

£333,000 (£202,000), acoustic engineering incurred a loss of £1,000 (profit £51,000), security made a profit of £351,000 Mr Ronald Cohen, chairman, said the results were due largely (£16,000) and other activities to the group's activities in controlled-circulation reference last time there was a loss of books. This division continued to perform outstandingly and con-

tax £372,000 firmed orders in the current year were ahead 40 per cent. (£507,000), earnings came through at 78p per £1 share (loss 95p). This time there was The four acquisitions made with on a merger accounting during the year had contributed basis, its results have been seen under the second transfer of the second an extraordinary credit of

INTERIM RESULTS from the booming wine sales enabled him continuing preponderance of pub Dorchester-based brewer Eld- to forecast profits growth next retailing profits, and the surge and market share increase in the surge sales with the surge sales w In the six months ended March wine sales; volumes and profits from spirits and minerals were 31 1968 turnover rose 12 per cent to 215.96m (£14.27m) and operating profit 13 per cent to £1.4m (£1.24m), with last year being well ahead of the previous year. Overall beer market share was almost held. Activity in contract packaging adjusted to take account of the

pension contributions holiday. Earnings were 11.3p (10.2p) and the interim dividend is raised to service was volatile, with a reduction in profit. But there were a number of promising deportunities.

Below-the-line the profit was bumped up by a £503,000 (£27,000) surplus on property sales. Mr Pope said there were few

takes Doctus to £624.000

Since Doctus Management Consultancy effectively reversed into Total overseas sales rose 85 per Smith Whitworth, in June 1987. accelerating losses have been turned to profit.

Midway growth

uted profits of £24,000 (£66,000 losses). Continuing business showed profits of £600,000 (£433,000) on turnover of £3.76m

Turnover rose to £5.37m

Discontinued activities contrib-

Part of the confusion arose ecause the complexity of the

Biomechanics

share deal worth £700,000, is buy-ing Glynvale, the holding company of Application Control Elec-tronics (ACE) which makes programmable logic controllers and other automated electronic

265,000, of which £10,000 is payable in cash and the rest in

CRESTA HOLDINGS has sold the freehold of a filling station on the Isle of Man to Esso Petroleum for

GEORGE BLAIR, maker of cast steel products, reported pre-tax profits of £1.32m (£968,000) on

turnover of £18.01m (£15.77m)

Earnings per share were 45.3;

seven retail warehouses in the UK with an approximate annual rate roll of £486,000. Net as

completion amounted to about

shares. Further consideration to a maximum of £260,000

more than £800,000.

Yield 3.8 4.3 8.7 230 185 Ass, 8-ft lad Or 186 Ass. Brit. Ind. CUTLS ... 25 Armitage and Rhodes 44 75 21 225 21 225 60 -37 102 103 -45: 42 99 42 92 96 14 73 137 Bray Technologies 100 Brembill Com. Pref 246 CCL Group Ordinary 124 CCL Group 11 % Com. Pref 14,7

Securities designated CSD and (USAO are desit in subject to the rules and receivab

Gazaville & Co. Luf. 8 Lovet Lean, London BCSR 8EP Telephone 91-621 (202 Member of TSA

Lazard Brothers & Co., Limited

British Railways Board

to invite offers for the whole of the issued share capital of

BREL (1988) Limited

For further information please write to: Lazard Brothers & Co., Limited 21 Moorfields, London EC2P2HT

has been appointed by

successor to the business of **British Rail Engineering Limited**

(for the attention of D.C. Roberts)

YEATTO NINTE AND A TOTAL OF THE PARTY OF THE THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY



A NEW COMPANY FORMED BY MEMBERS OF MANAGEMENT AND A SYNDICATE OF INVESTORS HAS ACQUIRED THE MICROSYSTEMS DIVISION

OF THE PLESSEY COMPANY PLC. TOTAL FUNDS RAISED WERE IN EXCESS OF £10 MILLION.

31 AS LEAD INVESTOR NEGOTIATED THE PURCHASE, AND ARRANGED EQUITY AND LOAN FINANCE. The following institutions subscribed for shares in the company:

3i plc

Alan Patricof Associates Limited County NatWest Ventures Limited Gresham Trust plc

Prudential Venture Managers Limited Thompson Clive & Partners Limited

Radstone Technology Limited is a leading international supplier of microcomputer products for commercial and military applications.



3i PLC, 91 WATERLOO ROAD, LONDON SEI 8XP. 01-928 7822

AND BULL THE THE TOTAL TOTAL

Earnings per share rose by 48
per cent from 4.97p to 7.34p and a
dividend of 3.3p (2.2p) is recomling's sales in the expanding secworked for the rose in the expanding secworked through at 4.3p (3.1p).

brought Sterling into the finan-cial publishing field and confer-ence and exhibitions organising. As Concorde has been dealt (£2.86m). An interim dividend of 0.5p (0.25p) will be paid.

COMPANY NEWS IN BRIEF

SWANYARD STUDIOS, the financial services and related ecording studio operator which businesses will adopt the name of the Third Market last Tranwood Application has been December, announced pre-tax made for its shares to be traded profits of £254.671 for its wholly-owned subsidiary Swanyard BROADCAST COMMUNICA-Becording Studios in 1987. Last time losses of £96,060 were remaining 40 per cent holding in incurred. Turnover increased Business Television from Lime-from £319,850 to £910,983. Tax house Television, part of Trilion.

from £319,850 to £910,853. Tax house Television, part of Trilion. took £21,238 (nil). The company's studio complex is situated near will be satisfied by the issue of Highbury Corner in north London and since the year-end a further hi-tech music programming suite has been opened. A second 135,000 ordinary shares at £1.80 suite with a soundproof area is each. As a result Trilion will hold under construction. under construction.

11 per cent of the company.
TRANWOOD: Following the TUBULAR EXHIBITION Group is demerger of its financial services acquiring Sun Wharf (Stratford) activities from its manufacturing for an initial £240,000 cash. Fur-

(36.1p). The proposed final dividend is 6.7p, making a total of 9p (2.76p). The shares are traded on the market made by Granville & DWYER has acquired Annstar for £1.55m cash. Annstar owns

activities from its manufacturing for an initial fibrium cash, fur-business, Tranwood Group's core ther consideration is payable up-porate finance subsidiary. Hin-corp. Earl & Company, has Wharf's principal asset is a lease-changed its name to Tranwood hold property in Stratford, which Earl & Company. The new hold-Tubular plans to use for storage, ing company for the group's HOBSON has acquired Alutrade --- SHARE STAKES

Changes in share stakes chairman, has exercised options announced during the past week over 250,000 ordinary and has included: sold the shares at 435p. BLACKS LEISURE GROUP: Mr LILLESHALL Co: Mrs J. Leek, A. Thornton has sold 200,000 the wife of a director, has purshares at 19%p each and now chased 15,000 ordinary at 110p, holds 482,000 ordinary. Mr Step increasing her holding to 230,000, hen Morris has sold Im shares at Mr and Mrs Leek and their family %p and now holds 21.56m (5.4 lly are now interested in 475,000 to 100 are now interested in 475,000 to 100 are now interested. per cent).
(6.9 per cent).
HIGH-POINT SERVICES: Mr STAG FURNITURE: Mr P. Rad-

hristopher-Moran-holds 260,000 - ford has sold-91,300 ordinary at Chistopher moran-nous 200,000 for has som-show brunnery as ordinary (5.3 per cent).

BRISTOL CHANNEL Ship BODYCOTE INTERNATIONAL Repairers: C. H. Bailey and its The holding of Mr J. Dwek, chair-substidiaries have disposed of man, has been reduced by the 2.65m ordinary shares, reducing sale of 100,000 shares at 275p to

their holding from 37.66 per cent 2.49m (10.64 per cent).

CLOGAU GOLD MINES: Waverto 34.34 per cent.

CLOGAU GOLD SELECTION TO 34.34 per cent.

EBNLOX HOLDINGS: Dr A. Marley Mining Finance has bought are is the beneficial owner of 3m ordinary (6.43 per cent). 2.98m ordinary (6.71 per cent). TOYE & COMPANY: Following DOWNIEHRAE HOLDINGS: Mr recent purchases, the holding of P. Beswick has disposed of his Saxonbest and associates is 112,500 shares (5 per cent). SEACON HOLDINGS: Mr C.

ordinary to Mr A. Taylor, joint managing director, at 60p each Mr Roth's interest becomes 3.71m (58.04 per cent) and Mr Taylor's 469,675 (7.34 per cent). EDMOND HOLDINGS: Mr R Chalcraft, a director, has purchased 100,000 shares at 84p and now holds 7.81m (15.46 per cent).

holds 2.92m (5.78 per cent). FAIRLINE BOATS: Mr S. New ington, chairman and managing director, has sold 50,000 ordinary at \$4 each. His personal holding stands at 761,478 (21.8 per-cent).

Mr A. Naish, also a director, bought 25,000 shares at 340 and

Hunter record

Hunter traded at record levels in the opening five months of the current year, Mr Harry Solomon, the chairman, told the annual nary shares. SEACON HOLDINGS: Mr C. RIZ CORP: Sir Alistair Frame, Roth, chakunan, has sold 190,00

اهكدا من الأهل

emaining interest of 1.23m ordi-

Woolworth buys

Granada's NI

Connect chain

Granada, television and leisure

group, is selling 15 Connect stores in Northern Ireland to

Woolworth subsidiary Comet for

£2.3m with additional consideration for stock. Comet said the

acquisition would allow it to

enter Northern Ireland as the

leading multiple electrical

Granada acquired the stores as part of its £250m bid for Elec-

tronic Rentals. ER itself had

taken on the Connect chain as part of its Telefusion acquisition.

Much of the Connect chain had

subsequently been rationalised and merged with other ER out-lets. However, the Northern Ireland chain remained a fairly self-contained business.

Yesterday, Granada said that it anticipated a reduction of

By Nikki Tait

WPP Tokyo sale cuts borrowings

wPP, the advertising agency and marketing services group, yester alay announced that it had sold its 100,000 sq ft office block in Tokyo to Nippon Life for Y25bn (\$109m).

The news was given to shareholders at the annual meeting. The property was acquired as part of the £351m bid for New York-based JWT Group — which takes in the renowned J. Walter Thompson advertising agency part of the £351m bid for New York-based JWT Group - which takes in the renowned J. Walter Thompson advertising agency -last summer. Ahead of the acqui-sition WPP was substantially smaller than its American target, and the bid was made on a lever-

The Tokyo property comprises office accomodation on 11 floors, just outside the central area of the city. WPP said that the sale. after providing for tax, will reduce the company's borrowings

space – the amount it occupies billings in net new business at present. Yesterday, stockbro-assignments – equivalent to an kers James Capel were estimating that the net benefit to pre-tax per cent. In the last four weeks, profits in five months of the cur-J. Walter Thompson has gained rent year could be around £1.9m, new assignments totalling over and increased their profit fore-\$100m in billings. cast from £34m to £36m. In the On the more fraught matter of following full year, the benefit is Lord Geller Federico Einstein, put at around £4.5m, and the much smaller New York Capel forecast is going up from advertising agency where a number of £50m.

Yesterday, shares in WPP - out in March, WPP said that it which have risen strongly over the past few weeks, helped by the against the former directors. It dollar's performance - eased 5p was currently awaiting a decision

to 580p.

At the meeting, shareholders were also told that since the continue and for how long. WPP

Maxwell in \$9m Israeli investment

MR ROBERT Maxwell has purchased a substantial holding in Modiin Publishing House, cial printer, write Andrew Whitley in Jerusalem and

Whitey in Jerusalem and Clare Pearson in London.
Moddin, the flagship of which is the mass circulation daily newspaper Maariv, plans to use the capital to move into electronic journalism.

The holding has been bought by Pergamon Media Trust, Mr Maxwell's Lichtenstein-based

Maxwell's Lichtenstein-ba company, which has interests in satellite broadcasting chan-nels MTV Europe and Premier. The stake is believed to be

about 30 per cent and to have cost about \$9m (£5m). Modiin has recently diversi-fied away from its books and newspaper publishing base into such areas as record and video distribution. It is seeking to branch out into cable and satellite-based information

This latest move by Mr Max-well to expend the geographic reach of his media interests follows last week's announce-ment that Maxwell Communication Corporation, his quoted company, was seeking to set up a joint communications venture with Societe Generale de Belgique.

Mr Ido Dissentshik, editor-in-chief of Maariv, which has a daily circulation of 115,000, said he did not think Mr Maxwell was interested in eventu-ally making a takeover bid for Morito. Control remains in the hands of the founding Cheifetz

Mr Maxwell is chairman of the UK branch of the Israel Bonds Association, a fund-raising body for the Jewish state.

Before agreeing terms with Modiin, he is said to have

Stead rejects increased £108m offer by Clayform

THE BUSINESS

OF FOOTBALL

The Financial Times proposes to publish this

survey on:

25th August

For a full editorial synopsis and advertisement

details, please contact:

Tony Blin-Stoyle

on 01-248 8000 ext 4920

or write to him at:

Bracken House

10 Cannon Street

London

EC4P 4BY

AN INCREASED £108.1m offer by Clayform, property group, for Stead & Simpson was firmly rejected by the shoe retailer and motor trader yesterday.

Clayform argued that its revised bid, up from the previous offer of £89.5m, was in line with Stead's net assets once account stean's net assets once account was taken of the potential tax liability arising on property sales. Last week, Stead published a net asset figure of £118.8m, after

revaluing its properties.

However Mr Peter Gee, a Stead & Simpson director, said yester-day that the board still believed that the Clayform offer was "way

below net asset value".
"It doesn't value us fully at all," he said. The fact that Clayform was factoring in a potential tax merely underlined its break-up intentions, he added.

The new terms have been declared final unless a competing offer emerges. They are worth (voting) share, and 151p in cash for each "A" (non-voting) share. Yesterday, the voting shares moved 5p beyond the offer terms, up 30p to £14.55, the mid-price of a 50p spread, while the ordinary remained slightly shy at 146p, up

Clayform said that its offer priced Stead at 26 times historic earnings once property profits, now taken above the line, had been excluded, and 22 times the forecast figure to end-March 1989 again excluding the property ele-ment. With the property element added in and on an actual tax charge Stead said the prospective

multiple came down to 13 times. Yesterday, Clayform follower up its widely-expected increased offer with some market purhases. It bought 75,389 ordinary shares, about 4.7 per cent of that class, and 4,500 "A" ordinary (0.28 per cent). That took its interest

tances received in respect of its earlier offer, to 35 per cent.

Yesterday Samuel Montagu.

Clayform also said yesterday Yesterday Samuel Montagu,

Clayform's advisers, said they were heartened that some of the white heat that some in the shares purchased yesterday had come from the very wide spread of "family" shareholders, who, together with directors, are ught to speak for more than half the voting equity.

To finance the bid, Clayform the last four years."
will put up £28m from its surplus Stead replied that it merely cash resources and has arranged made prudent assumptions

that in the latest circular to shareholders Stead made "no

ususual weather conditions" one of the assumptions in its profit forecast. However the company noted: "Stead & Simpson has referred to the impact of adverse weather conditions on its footar retailing profits in each of

and the ball was made aged basis. The disposal of the Tokyo property was seen as a key part of WPP's plan to reduce borrowings. It does, however, plan to lease beginning of the year the group said it intended to back about 45 per cent of the has gained more than \$350m of claim for damages. Ex-director attacks Yale board

BY VANESSA HOULDER

AN ACRIMONOUS dispute resolution. This has been sent to not unusual in a group the size of emerged yesterday over the all shareholders along with the boarding structure of Yale and statement issued by Mr Davis.

Mr Davis stressed yesterday Valor, locks and domestic appli-

director who has issued a state-ment calling for the company to appoint a full-time chief executive and an experienced non-exec-utive financial director. This resolution will be proposed at the annual general meeting in three

. N. W.

man of Yale and Vaior, yesterday responded with a letter advising

ings are usually held for the puspose of dering dividends. Official indications are smalleble as to whether the dividends are nes or finess and the pub-divisions shown were besed mainly on last year's time-

DIVIDENDS ANNOUNCED

July 27

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §Unquoted stock. ¢Third market. ffor 18 months.

BOARD MEETINGS

Care of The Environment

The Financial Times proposes to publish this survey on:

18 July 1988

For a full editorial synopsis and advertisement details, please contact: S.P. Dunbar-Johnson on 01-248 8000 ext 4148

or write to him at: en House, 10 Cannon Street, London EC4P 4BY

FINANCIAL TIMES

Current

Mr Davis' statement argued that he was not seeking to return

Valor, locks and domestic appliances group.

The opening shot was fired by mented in size or experise In response, Mr Montague said:

Mr Norman Davis, a former despite the expansion of the "The board regards it as sad that despite the expansion of the "The board regards it as sad that the board r

company from 1969 until six strategy and supervision, Mr Mr Montague said that the weeks ago when he left Yale following a dispute over his role in the company.

Mr Montague said that the existing structure of the board would also benefit by the was a common one and further appointment of an experienced more was vindicated by the permon-executive financial director formance of the company. We

Total last year

group's activities through the Mr Davis, the major part of acquisition of Yale and Nutone of whose association with us is valued, should make this proposal."

The business would be "much enhanced" by the appointment of a suitable chief executive to contion of Yale and Nutone by the duct day-to-day activities. This appointment of "distinguished" would allow a chairman to concentrate his efforts on overall tors, he said.

to oversee the more complex have been described as brilliant, responded with a letter advising financial affairs of the group, he he said. "Modesty prevents me shareholders to vote against the added. "Such appointments are from endorsing that."

Wagon purchase

Wagon Industrial Holdings has acquired 2.36m shares (3.9 per cent) in Banro Industries for which it has made an agreed £39m bid. The parties also announced yesterday that they had agreed terms on an offer for the preference shares - at 107p per share.

Automated

For a full editorial synon please contact:

Bracken House 10 Cannon Street London

Manufacturing

The Financial Times proposes to publish this survey on:

28th JULY

and advertisement details,

HEYRICK SIMMONDS on 01-248 8000 ext 4540

or write to HIM at:

EC4P 4BY

FINANCIAL TIMES

between 15 and 20 per cent in its rental chain in the wake of the ER bid. The offer left Granada **FINANCIAL TIMES** expressed an interest in two other media-related investin the voting shares, together with the small level of accepwith around 1,000 outlets, with some duplication. Viore

pront, and rogress.

(Just two of the things Dowty made in the last year.)

Financial Highlight	87 £m	88 £m
Turnover	573.5	624.8
Profit before tax	55.7	64.1
Dividend per share	6.2p	7.0p
Earnings per share	16.6p	18.7p

With profit before tax up by 15.1%, and EPS by 12.7%, on turnover up by 8.9% to £624.8 million, we made excellent financial progress in the year to 31st

And we also made real progress in the reorganising and restructuring of the Group, so we are poised for continuing growth.

When you consider that at the same time we've been making products which range from landing gear for Airbus, to submarine command systems for the Royal Navy, to VDU terminals for Reuters, you may wonder what we intend to make in the future.

Quite simply, even more encouraging reading for our shareholders.

Aerospace · Electronic systems · Information technology · Mining · Industrial

MERCURY ASSET MANAGEMENT GROUP plc

RESULTS FOR THE YEAR ENDED 31ST MARCH, 1988

Profit before tax was £39.1 million, an increase of 71 per cent. over the previous year.

Earnings per Ordinary Share increased by 59 per cent. on a pro forma basis.

The directors propose a final dividend of 9p, making a total of 12p for the year.

THE CHAIRMAN, MR. PETER STORMONTH DARLING, COMMENTS:

"The past year has been one of exceptional volatility in financial markets. Despite this and the fall in stockmarkets over the year, the value of funds under our management increased by £1.6 billion to £23.0 billion, reflecting a good level of new business gained in all parts of the group. We retained our leading position in the management of UK pension fund portfolios and made substantial progress in our international business. We believe that, notwithstanding the challenges we face at the present time, the resources of our group enable us to look forward to the future with confidence."

The Annual Report will be posted to shareholders on 1st July, 1988. Copies may be obtained from the Company Secretary.

33 KING WILLIAM STREET, LONDON EC4R 9AS

Farmers union defends subsidy

BRITAIN'S National Farmers Union yesterday robustly defended farm subsidies as the vital guarantee of farmers' incomes and of national food sup-

The NFU defence, in the form of a seven-page memorandum and a London press conference yesterday by its president, Mr Simon Gourlay, comes as the international debate on the abolition of agricultural subsidies

gathers pace.

The US has proposed, within the context of the General Agreement on Tariffs and Trade, that all production-related subsidies should be abolished within 10 years. The European Community is much more cautious. It agrees that subsidies should be reduced but has not said by how much or

The NFU is even more cauinter-war years, the union claims support policies recently. "Everytious, calling for "direct action". It plans to take its campaign to
such as an extension of quotas, to
control surplus production and
the union claims support policies recently. "Everyunent also calls for
one is bashing the CAP, bashing
support mechanisms and extoltible oils and pro
tion firmly oppose
thus the spiralling cost of farm
MPs as well as circulating it to market forces. We thought we The NFU is even more cau-

The final knot of the EC's farm price package was still not fas-tened yesterday evening as Community agriculture experts grappled with an apparent misunderstanding by Greece over the wording of the effects text writes Tim Diek-"final" text, writes Tim Dickson in Bruss

The new hitch followed what was widely thought to be a binding agreement reached by all 12 member states late last But in the telephone conver-

Abolition of farm subsidies would result in "drastic changes". in the structure of farming and a severe rundown of farming in some parts of the country, with land becoming derelict as in the

sations which paved the way for the deal wires seem to have become crossed on the final concessions made to Athens over the dismantling of Greece's negative monetary

compensatory amounts.
Mr Frans Andriessen, the
EC's Agriculture Commissioner, was said to be determined to stick to the Commission's final offer of a 15 point dismantlement for animal products and 20 per cent for

commissioners of the EC in Brus-sels and "agricultural policy-mak-Asked what had prompted the NFU's action yesterday, Mr Gour-lay said that there had been a great deal of criticism of farm

ought to say why we should have support policies," he said. In its memorandum the union declares that it is not advocating open-ended support for farm ing." However it argues that agri-culture is inherently more unstable than normal business and support is therefore necessary to iron out fluctuations in supply

and in prices.

Abolition of support would not magically reduce the amount farmers can produce per hectare. Nor would it necessarily result in benefits for manufacturing indus-try or for employment in other sectors of the economy, as recent

studies had suggested.

The best way of curting farm surpluses would be through an extension of compulsory limits on production such as "set-aside" schemes for cereal land. The document also calls for greater tariff protection against imported vege-table oils and proteins — a posttion firmly opposed so far by the

Nicholas Woodsworth reports on an industry recovering from decline

Ghana tries to modernise its timber trade

tian fundamentalist church, every dawn must seem like a bib-

Daybreak in the tropical rain forest here is silent. Huge trees rise into the still, humid air. Thick vines seem to drop from the sky and drape themselves over luxuriant undergrowth. Drops of water glisten on every leaf. Yellow butterflies flutter

It doesn't last long, however. What emerges from the forest just after dawn in Brong-Ahafo is not the first man and woman but a snarling, 300-horsepower Ley-allowed the timber industry to a snarling, 300-horsepower Ley-land truck hanling a 40-foot load of logs. It roars by with a grind-ing of gears only to be followed a and sawmilling machinery. few minutes later by another, then another, right through until the end of the day. Brong-Ahafo may be a stronghold of fervent West African fundamentalism, but it is also a major centre of

Ghana's booming timber indus-The region's logging roads are busy seven days a week, and would be used through the night equipment, has been a major sup-as well if it were allowed. That plier to Ghana's timber trade. the area has been so neglected in

timber trade.

of capacity, exported only \$15m worth of sawn and processed tim-ber. By 1986 the figure had risen to \$44m. Last year, with 500,000 cu m exported, it doubled to \$90m. Exports are expected to.

leap again this year.
The main reason for this meteoric rise lies in large amounts of funding channelled into the timber sector by commercial and exaggeratedly paradisical setting that at any moment one expects Ghana \$87m for its economic to see Adam and Eve emerge to see Adam and Eve emerge World Bank also made available world Bank also made available and Rehabilitation hand-in-hand from the forest World Bank also made available looking for mangoes to breakfast an Export and Rehabilitation Credit of \$93m to strengthen the three main foreign exchange earners, cocoa, gold and timber.

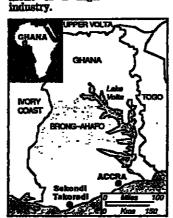
> Under the World Bank programme, transportation infrastructure, including the main

trans-shipment bottleneck at

Takoradi Port, is also being improved. The UK has played a signifi-cant role in the industry's expan-sion. Forestor, one of the world's largest manufacturers of forestry

Ghana's galloping timber boom has led to imbalances within the industry. At present the industry, dominated by locally-based Leb-

anese business interests, is more concerned with quick profits through the export of often wastefully-produced logs and sawn timber than the development of a high value-added industry.



The Government, however, has taken steps to encourage finished it reduced the foreign currency retention allowed to log and sawn timber exporters from 20 to

5 per cent.
This has given considerable Britain's Marktrace Projects incentive to Ghanaian valthe past that night driving on last year undertook a five-year us-added activity in furniture these roads is murderous is an management contract for the and finished product manufacturindication of the recentness of rehabilitation of the African Timing. Ghana exported 30,000 ca m the boom and the problems ber and Plywood Company, a of hardwood products to Europe encountered in modernising the state-owned enterprise that has and North America in 1986; projthe largest timber concession in ected volume this year is 42,000

In the early 1970s Ghana went Ghana. With a £16m ECGD-supinto a steep economic decline ported line of credit from the
from which it began slowly to Bank of Scotland, the \$30m projalone, Scanstyle Mim of Brong-ASW18.

TO THE devout inhabitants of the densely-forested areas of Ghana's Brong-Ahafo region, where each village clearing seems to have at least one Christian fundamentalist church, hold a major timber products

exhibition in London in July.

One growing concern in the recent past has been the environment. While the timber trade is expanding, Ghana's forests are receding. At the turn of the contract there were turn of trans. tury there were 8m sq km of tropical forest in Ghans; today there are less than 2m and the figure is dwindling. Forest replanting in the early 1970s of 11,000 hectarss a year has dropped to a current level of 4,000 hectares. Although the Government has claimed reafforestation is a priority in the industry, there is much to been done to promote conservation and sustainable timber yields. The World Bank and Britain's Overseas Development Adminis tration have made a start, how ever. They are involved in forestry inventory and management

programmes, and hope to expand the size of remaining forest reserves. There have also been initiatives in community educa-tion to inform the population of the value of forest conservation. While Adam and Eve will never walk the forests again, one can only hope Ghana will take measures to retain something of its virgin paradise.

• We have been asked to point out that Mr Kwame Owusu, mentioned in last week's article on the Ghanaian cocoa industry, is chief executive of the country's chief executive of the country's Board for Agricultural Products. Cocoa Marketing Board. The Ghana Timber Products Show with keep EC grain competitive will be held at London's Business with world prices. chief executive of the country's Board for Agricultural Produce.

Cocoa Marketing Board. The Ghona Timber Products Show with keep EC grain competitive will be held at London's Business with world prices.

Design Centre from July 25-31.

After last season's record 10m have halved. The backlog to the backlog of the countracted backlog to the countracted backlog of the country's Board for Agricultural Produce. But the delays are as bad as ever this season, says Gafta, must be improved at the intervention board or some of its functions should be sub-contracted backlog to the country's Board for Agricultural Produce. But the delays are as bad as ever this season, says Gafta, although British grain exports to the delays are as bad as ever this season. The backlog the product of the country's product of the country's but the delays are as bad as ever this season. The backlog the product of the country below to the country of the country below to t

Oats prices soar as the **US** drought

By Deborah Hargreaves in

continues

THE CHICAGO Board of Trade's grain futures contracts rushed to their upper price limits yesterday in what has become a pattern for Monday market openings as the scorching drought continues in the Midwest

With 105-degree-heat in Chicago on Saturday - equalling the city's highest ever recorded temperature in 1936 - and only sparse rain forecast for the US combelt this week, maize, soya products and oats futures remained locked at their limits

yesterday. The sharp rise in the grain contracts - all except wheat opened at their upper limits - followed a slight drop on Friday for maize and soyabeans as traders remained extremely sensitive to any hint of rain.

Oats futures were at their price Cats indures were at meir price imits for most of last week as the crop, which is grown in the Northwest Plains states, has been devastated by the drought.

Oats, are currently trading at an historical high around the \$3.70-per-bushel mark as US pro-

cessors scramble to secure their needs in a market where demand is increasing. The US has even been forced to import oats to meet demand.

In an effort to free grain futures from their limits, where little trading occurs, the CBOT has changed its price limit rules

for the contracts Price limits of 30 cents for soyabeans were previously expanded to 45 cents for the contract if it hit its limit for three days in a row. Under the new rules, the grain contracts will have to hit their limit for only one day for that limit to be expanded for another three days. Traders themselves are frustrated with the current market pattern, where contracts will hit their price limits minutes after the market opens and stay there all day, waiting for a sale to push

Tin races to 10-month high

BY KENNETH GOODING, MINING CORRESPONDENT

THE PRICE of tin, which so far of the APTC - Brazil and China is good news for tin. has lagged behind as other base metals raced ahead this year, climbed to a ten-month peak in the free market early yesterday.
At 54,195 a tonne, the price was
some 255 up from Friday afternoon's level.

Traders said the trend mainly reflected the weakness of sterling against the US dollar and that many consumers appeared to be reluctant to arrange new busi-

Analysts pointed out, however, that the upward price movement was underpinned by the success, so far, of the Association of Tin Producing Countries' measures to reduce stocks.

to reduce stocks.

Since the collapse of the tin market in 1985, a small increase in demand combined with export quotas established by the ATPC (a group which takes in Malaysia, Thailand, Indonesia, Australia, Bolivia, Nigeria and Zaire) have helped whittle away stocks.

From about 105,000 tornes at the beginning of 1966, stocks are

the beginning of 1986, stocks are estimated to have fallen to their current level of 45,000 tonnes.

- who agreed to limit exports, have also contributed to the

The latest forecasts from the latest forecasts from the latest forecasts from the laternational Tin Council indicate that output of primary tin in the non-communist world in the first nine months of this year will be about 1.8 per cent above the same period last year at 112,900 tonnes.

Consumption is predicted to be 129,400 tonnes or 2.9 per cent

129,400 tonnes or 2.9 per cent more than in the January-September period last year.
This should leave a deficit of supply of 20,800 tonnes following one of 24,700 tonnes for the whole

of last year and for 1986.
The deficit, as usual, is expected to be offset by sales by the US General Services Administration, which holds about 170,000 tonnes

Some suggest that China is likely also to restrict tin exports. Others say it might be tempted to

It says: "The most serious fhreat to the (ATPC) agreement is the voluntary restraint being exercised by the non-members, Brazil and China. China's sales policy is likely to be a key factor as it was in 1987 when tin prices were depressed by heavy Chinese exports."

or iii, and reductions in stocks.

The APTC's aim is to cut stocks to about 29,000 tonnes by the middle of next year.

Much depends on China. There is a split of opinion among traders are split of opinion among traders. ers about whether China's recent while outperforming the other decision to stop exports of copper metals in the longer term. current level of 45,000 tonnes. decision to stop exports of copper metals in the longer term when Undertakings by two major and aluminium to protect its their new production starts comproducers who are not members domestic industry from shortages ing on stream.

Longer-term price rise forecast for lead

LEAD IS likely to regain a price casts for a surplus of supply over I KAD IS likely to regain a price casts for a surplus of supply over of £425 a tonne on the London demand of about 100,000 tonnes Metal Exchange shortly and then of Isad have been revised downgo on to £650 in the longer term, wards by 40,000 tonnes to reflect says Rudolf Wolff, the London-based trading group, in a demand.

The bullish outlook for lead is likely to diminish only if there is a total reversal in the base met.

a total reversal in the base metals sector "and, given the current economic climate, we cannot

foresee this".

Yesterday the cash price for lead on the LME rose by \$17 to Inc. £383 a tonne.

Wolff also points out that there is likely to be substantial specu-lative interest "as players who have enjoyed the strength in the other base metals look towards lead, which in part explains its mance, Wolff suggests that

Silver (pz): -840,000 to 15,644,000

"Should this continue, the market will at best balance by the year-end. Indeed, the projected Demand from the battery pro-

cent of consumption, is expected to remain firm because car sales continue to show good growth. they add.

Non-communist world stocks of lead at the end of 1987 at 420,000 tonnes represented about five weeks consumption. Cury rently producer stocks, at about 205,000 tonnes, and consumer stocks, about 190,000 tonnes, are hitle changed from the 1987 level.
Merchant and LME stocks
make up the rest and, although
the Exchange's stocks have risen
sharply from about 15,000 tonnes to 55,000 tonnes during 1988, much of this may be attributed to producers who have chosen to deliver metal rather than pay the backwardation (cash premium lead, which in part explains is surplus is only equivalent to over three—months metal) in recent strength and volatility".

Dealing with the fundamentals sumption", say the authors, Mr ward. This, therefore, reflects behind the metal's recent performance. John Harris and Mr Robin Bhar.

UK grain exporters hit by intervention board delays

BRITAIN MAY lose £im in grain the intervention board and as far export orders and faces a pile-up back as last July exporters were of grain in intervention stores assured that increased staffing ers waited a maximum of 42 days because UK exporters have to wait far longer than their continental rivals to receive EC export
rebate payments, according to
the UK Grain and Food Trade
was reducing a huge backlog of
paperwork.
Ministers were also optimistic
that a new intervention board
computer system would be opera-

Association.

The bettleneck has developed through two seasons of staff. shortages and computerisation problems at the intervention

After last season's record lum nave naived. The tonne grain exports, the Ministry remains, delays range up to 90 out to commercial benes or other of Agriculture acknowledged the days and there is no likelihood of private organisations," she said. She would also like to see a Par-

was reducing a huge backlog of

computer system would be opera-tional by January 1 1988, ensur-ing that the problem "should not occur again in any sector" and that most payments would be made to exporters within a 28-day

ers waited a maximum of 42 days last season and will start the new marketing year with a mere 15marketing year with a mere la-day delay, giving them an effec-tive \$3 to \$4 per tonne advantage over the British in export sales. This not only wipes out UK exporters" profit margins but encourages international ship-pers to place orders with suppli-ers other than the UK, said Geffa official Ms Marks Campaccio

liamentary Select Committee of Inquiry into the board's programme.

An intervention board official said staff had been increased from 150 to 200 in the import/export licensing department to help clear the backlog. Consultants had been brought in from the private sector to deal with what was largely a software prob-

"It now looks as though we are over the peak of the problem," he

"The target is to haive the backlog over the next two months and virtually elimin by the late summer or early

WORLD COMMODITIES PRICES US MARKETS LONDON MARKETS LONDON METAL EXCHANGE (Prices supplied by Amalgameted Metal Trading) Chicago COCOA £/tonne CRUDE OIL (Light) 42,000 US galls S/bartel Latest Previous High/Low Despite lower temperatures, rainfall over Prices for raw sugar on London's terminal 933 923 956 940 965 952 965 970 1003 966 1021 1010 1040 1030 om, \$9.7% parity (5 per tonne) Ring turnover 0 tonne 926 949 960 981 1001 1020 1040 market soared again to a five - year peak the weekend was negligible in the mid-west U.S. and as a consequence, the grains and soybean complex finished sharply higher to limit-up as concern over 1058/4 1055/0 1041/0 1022/0 1012/0 1002/4 980/4 972/0 1029/4 1025/0 1011/0 982/0 952/0 972/4 950/4 942/0 1059/4 1055/0 1041/0 1022/0 1012/0 2775-05 October at \$257.60 a tonne, up from \$243 5.612 lots 1059/4 1055/0 1041/0 1022/0 1012/0 1002/4 980/4 972/0 mt.SC.5% purity crop damage reasserted itself, reports trade, speculative and chart buying Drexel Burnham Lambert Only Kensas boosted prices. The upward mo 52,062 lots Turnover 4830 (9722) lots of 10 tonnes. ICCO Indicator prices (SDRs per tonne). Daily price for Jun 24: 1207 80 (1201.08) .10 day average for city and Minneapolis wheat were trading HEATING CR. 42,000 US galls, cents/US galls continues to be fuelled by Cuba's inability Copper, Grade A fE par ton Ring turnover 29,850 tonos below limit, as those markets saw some hedge seiling and profittaking. Cattle and hogs were also sharply higher to limit-up, 1423-5 1333-5 1400 1340/1299 1402-4 1316-7 4225 4270 4360 4460 4550 4675 4535 4435 Japonese trade houses, traders said. It 3 months 1309-10 1325-9 67,457 lots 4314 4341 4411 4505 4583 4701 4708 4553 4438 was also suggested that Mexico and the Dominican Republic have similar SOYABEAN OIL 50,000 lbs; cents/lb after a weak opening, as short-covering emerged to correct oversold situations and as packers were forced to resume 32.30 32.55 32.87 32.76 32.87 32.55 32.25 31.70 32.30 32.55 32.67 32.75 32.87 32.55 32.25 31.70 S9 lots Exchange, traders sald the aluminium buying after exhausting their stocks. Bellies rallied in sympathy, but were held Silver (US cents/line ou Ring turnover 70,000 cas week's sharp losses. Any sign of 679-62 692-5 880-1 893-4 ressure caused exaggerated price back by continued heavy storage stocks. The precious metals traded narrowly, rallying in light volume on mixed, trade 707 lots Lead (C per tonne) wer 12,475 tonne cent nurs), the most widely - traded fell. and local buying. Copper finished mixed, the main feature being the squaring of Cash 382-4 3 months 376-9 Turnover: 2431 (2758) lots of 5 tonnes (CO indicator prices (US cents are prices) 369 380/363 369-70 363.5-4 12,532 lots 1503 1513 1522 1549 1570 1592 1618 three-months slipped by £8.50 to £1.590 1527 1547 1558 1565 1608 1634 1657 1490 1500 1511 1540 1570 1596 1616 even though the LME reported a small positions in the July contract, with spread activity into the September contract. SOYABEAN MEAL 100 tons; 5/100 Nickel (S per tonne) Close Previous Energy futures recovered from early 5,783 lots 310.7 303.2 300.2 297.7 284.2 290.0 284.0 283.0 meas as fund buying and mi SPOT MARKETS Ring turnover 7,575 tonne Ziec (E per tonne short-covering pared losses after trade and local selling. Coffee rallied on SUGAR 5 per tonne Crude oil (per barrel FOB) + or -Cash 805-6 3 months 771-2 810 772/768 809-10 771-2 771-2 \$13 27-3 34z -0 30 \$14 95-5 00u -0 40 \$15 92-5 95z -0 24 Dubei Brent Blend WTI.(1 pm ast short-covering, cocoe felt in respon 275.00 266.00 266.00 256.00 255.60 254.00 253.00 254.00 243.00 242.60 287.00 234.60 233.00 234.80 the stronger U.S. dollar 131,90 132,91 134,00 134,50 134,50 135,50 0 259.00 240.40 255.00 238.60 254.00 242.40 236.00 POTATOES Chonne LONDON BULLION MARKET **New York** MAZE 5,000 bu min; cents/56lb bushel Gold (fine cz) \$ price £ sculvatent Premium Gasoline Gas Oil (Sovieti Heavy Fuel Oil Naghtha Petroleum Argus Est 441½-462 441¼-462¼ 442,3 443,3 443,444¼ 441½-442 100.8 105.0 156.5 167.0 93.0 258 1₂ -260 257 1₂ -258 257 -351 258 -848 342/4 347/4 352/5 352/6 352/4 348/0 298/0 272/4 139.4 150.6 443.9 443.5 445.0 451.1 458.2 461.4 468.7 472.1 477.8 443.7 0 447.2 457.5 0 466.5 471.5 Aug Oct Occ Mar May 274.00 268.00 268.00 269.00 269.00 284.00 274.00 290.00 287.50 288.00 285.00 250.00 272.00 Day's high Day's low rer: 1068 (572) lots of 100 ton + 07 -\$ price US Engle Mapieled Srizonia Krugerrand 1/2 Krug 1/4 Krug Angel 1/10 Angel New Sov. Old Sov. Nobte Plat 267-270 267-270 267-270 258-12-260-1 136-13-270 57-12-72-1 267-12-270 27-12-30-1 61-62 332-65-336-6 684c \$550 75 \$124 25 455-460 455-460 455-460 440-443 233-242 115-123 465-460 47-52 104-105 104-105/₂ 570.35-4.96 \$2910 117 5-129c 36.0c 690c 04195 18 36r 333 5c \$1337.5 63 5c 40 ita (FF7 per tonne); Aug 1670, Öct 1642, Mar 1630, May 1635, Aug 1646 -20 +65 +0.11 +0.5 COTTON 50,000; ownts/lbs 400/4 408/6 421/4 421/4 408/0 385/0 394/0 402/0 414/0 413/0 Turnover: 237 (407) lots of 100 tonnes 68.50 67.05 65.70 68.50 66.85 68.90 66.25 67.60 65.50 65.00 65.60 65.79 65.00 68.10 65.06 63.70 64.50 64.85 84.95 64.90 Previous High/Low Jul Aug Sep Oct Nov Dec Jas 190 75 130 25 131 50 133 25 131.50 129.75 131.50 129.75 132.50 131.00 134.00 132.75 1208.5 1350.0 1375.0 1407.5 1215.0 1238.5 1225.0 1206.5 1365.0 1340.0 1389.5 1245.0 1420.0 1407.5 1215.0 1229.0 1370.0 1400.0 1435.0 1230.0 1242.0 112.65p 159 16p 60 07p -1 30° -18.43° -3.37° LIVE CATTLE 40,000 lbs; cents/lbs p/line az US ats equiv SILVER 5,000 tray az cents/tray az. 134.50 135.50 135.75 High/Low 402.60 412,50 422.70 444,25 684.25 697.70 711.05 741,85 London daily sugar (raw) London daily sugar (white) Tate and Lyle export price 64.15 64.97 68.97 71.82 74.35 72.85 62.77 63.47 67.47 70.32 72.85 71.50 \$289.0 \$277 \$4 \$278.5 62.30 63.20 67.30 70.10 72.85 71.25 680.0 681.0 685.9 690.6 705.6 721.0 731.3 742.3 753.4 693.6 694.0 669.1 703.9 718.9 723.8 734.3 744.6 755.6 786.7 0 704.0 719.5 715.5 735.0 737.0 751.0 181.25 179.25 170.30 165.85 165.25 164.25 164.10 164.10 71.82 74.35 72.90 189.90 184.25 175.30 188.40 169.25 181,35 179,76 171,76 168,00 163,25 Berley (English feed) Maize (US No. 3 yellow) Jul Sep Nov Jen Mer Hey Jul Sep Nov 692.0 707.0 715.5 724.0 737.0 745.0 760.0 C139u £130x **GRAINS Ettorine** There were 28.531 packages on offer include, 5,500 offshore, reports the Tee Brokers Association, A good general demand. Selectest East Africans were again well support Wheel (US Dark Norths +3 Rubber (spot)♥ 77.00p Rubber (Aug)♥ 83.00p Rubber (Sop)♥ 83.25p Rubber (KL RSS No 1 July) 367.0m +0.25 +0.25 +0.25 +0.3 Wheat Close intum (98.7%) Calls Puts 107.50 107.25 109.00 108.00 111.60 110.75 114.50 118.00 118.25 115.10 Jiy Sop Nov Jan Mar Mar 107 35 108.75 111.50 114.30 116.20 118.40 108-30 107-30 109-80 112-75 114-50 Close Previous July Sept July Sept 45.82 43.83 47.07 51.10 50.85 46.20 44.17 42.30 45.57 49.60 49.05 44.92 220 328 48 227 129 257 107 306 67 200 195 387 COPPER 25,000 lbs; cents/lbs \$695a \$563w \$430 \$253u Coconut cit (Philipp 42.30 45.65 50.00 49.50 44.70 red although prices lended 2-3p lower Close absorbed atthough prices tended 2-3p lower. Coloury Central Africans sold well at firm rakes but plainer sorts were easier. There was rather less competition for Ceylons and apart from a lew brighter teas which realised around lest rates prices were 3-5p lower with phainest subscriptions unwanted. Offshore teas met good but Irregular demand with price lewels showing little change where sold. Quotations: quality 167p (158p), medium 97p (100p) low medium 70p (same). 116.50 118.40 117.50 108.00 104.50 100.50 97.00 89.30 87.30 83.30 81.80 78.50 51.10 50.56 Aluminium (99.5%) Calls Close High/Low 104.15 101.20 98.20 90.40 66.10 83.90 87.40 80.00 78.00 180 284 65 240 100 220 134 324 49 198 233 419 45.25 PORK SELLES 38,000 lbs; cents/lb 101.90 105.00 107.85 103.00 102.50 June 24 June 23 . math ago yr ago High/Lov 108.85 108.60 Copper (Grade A) 110.75 112.50 109.85 111.50 39,62 62,07 61,40 61,35 38.25 60.07 59.40 69.36 38.20 DOW JONES (Base: December 31 1974 = 100) 37.80 59,75 58.62 61.20 240 224 14 113 128 150 51 187 55 97 128 281

FOREIGN EXCHANGES

ligh

Sterling weak on trade data

STERLING FELL to its lowest level since early March, following lier in Tokyo, but still finished up worse than expected trade fig.

The May current account index rose to 97.0 from 96.2 on deficit widened to a record file. The latest account shortfall in April. The latest fig.

The was nearly twice the market yesterday morning in shortfall in April. The latest fig.

London and took profits, reflecting a growing feeling that the dollar rose to install reaction was to lose half a pfeming against the D-Mark and a cent in dollar terms.

The full extent of the day's

There was also evidence that

pfennig against the D-Mark and a cent in dollar terms.

The full extent of the day's decline meant that sterling slipped to an eight mouth low against the dollar closing at \$1.7030 from \$1.7250 on Friday. With the dollar only slightly firmer on the day, the pound's losses against major European losses against major European currencies were considerable.

Analysis the D-Mark it fell to serve against the yen at Y130.85 cerm against the yen at Y130.85 cerm. currencies were considerable. Against the D-Mark it fell to DM3.0975 from DM3.1375 and FFr10.4525 compared with FFr6.1575 compared with FFr10.5475. Elsewhere it slipped to Y222.75, its lowest level since October 1986, and down from Y225.25 on Friday. Against the Swiss franc it fell to SFr2.5650 However, despite the later intervention, some dealers still expec-

from SF12.5975.

On Bank of England figures, the pound's exchange rate index was lower at 74.8, down sharply from 75.4 at the opening and 75.8

on Friday.

Higher domestic interest rates failed to provide much support westerday's intereven though yesterday's inter-bank rates were almost fully dis-counting a full one point rise in base rates.

The dollar failed to capitalise

Previous Class 1.7270-1.7275-0.16-0.16pm 0.665-0.65pm 2.68-2.63pm

June 27 Previous

755A5307A87A87A8

£ IN NEW YORK

STERLING INDEX

ger against the yen at Y130.85 from Y130.60 and FFr6.1375 com-

tinue.

The Bundesbank refrained from giving any support to the D-Mark during the morning in Frankfurt, but sold \$24.5m at the fixing when the dollar rose to DML 8235 from DML 7970.

Elsewhere the D-Mark held above a support level of Y71.43 against the yen, opening at Y71.97, up from Y71.80 on Friday, and staying at that level for most of the day.

the dollar, but there was no intervention by the Bank of France. The D-Mark was fixed at FFr3.3689 up from FFr3.3651 at the start and FFr3.3646 at Friday's close. Dealers suggested that the franc's upward potential was limited by the recent increase in interest rate differentials between France and West Germany, and the possibility of higher West German rates after

IS	EUROPEAN	CURRENCY	UNIT	RATES

	हैटा दक्तराजी स्ट्रॉस	Corrency amounts against Ecu Jame 27	% change from central rate	% change adjusted for divergence	Ohergence limit %
Beiglan Franc Daniek Krone German D-Mark French Franc Dutck Galider Irish Punt Italian Lira	42.4582	43,4442	+2.32	+1.09	±1.5344
	7.85212	7,87577	+0.30	-4.93	±1.5404
	2.05853	2,07517	+0.81	-4.92	±1.0961
	6.90403	6,99329	+1.29	-4.06	±1.3674
	2.31943	2,33661	+0.83	-4.40	±1.5012
	0.768411	0,773860	+0.45	-4.78	±1.6684
	1483.58	1537,37	+3.63	+2.98	±4.0752

Changes are for Eco, therefore positive change dennies a wea Administrative calculated by Financial Times.

OUND	SPOT- I	FORWARD A	GAINST T	HE P	OUND
June 27	Day's spread	. Cinco	One mustis	% p.a.	Three months

CURRENCY RATES DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jane 27		Special* Drawley	Correct Correct	Jess 27	Day's spread	Close	One mostk	pã.	Electric :	93
Sterling U.S. Deliar Canadian S Aestrian Sch. Belgian Frant Denish Kone Dentsche Mark Herti, Gelfider French Frant Lissanger Yen Lissanger Yen	875 875 675 275 275 275 125	Rights 0.766745 1.32712 1.59639 16.7761 49.8599 9.05428 2.36426 2.36426 1.01846 1.776.725 1.771.066	Unit. 0.670094 1.13795 1.38216 14.5965 43.4442 7.87577 2.07517 2.33961 6.99329 1537.37 144,243	USC:	1695-1705 14700-14810 12040-12150 2046-2045 37 95-38.30 6.88-6.95 1.8140-18270 1881-1484 119-5-120,65 13441-1352 6.57-6.624 6.111-6.155	1.7025 - 1.7025 1.4720 - 1.4790 1.2770 - 1.2080 2.0470 - 2.0500 38.05 - 38.15 6.90 - 6.905 1.884 - 1.8890 1.884 - 1.485 1.20 20 - 1.22 10 1.3484 - 1.34974 6.60 - 6.605 6.135 - 6.14	0.25-0.22cpm 0.07-0.14cds 0.11-0.14cbs 0.57-0.55cpm 0.20-0.75cres 0.54-0.51cfpm 33-48cds 18-22cds 2.20-3.20thresis 2.20-3.20thresis 0.35-0.15cpm	166 -0.26 -1.26 -1.26 -1.26 -0.78 -0	0.86-0.81mm 0.19-0.29(is 0.42-0.45(is 1.79-1.75mm 17-5-13.5mm 0.90-1.40(is 123-1.70(is 123-1.70(is 8.20-10.20(is 8.40-8.60(is 0.45-0.35mm	1% -1.44 3.44 1.57 -1.30 -2.04 -2.72
Norway Krone Spanish Peseta Swedish Krona Swigt Franc Greek Brack	8 82 20 c	8.63557 157.158 N/A 1.97807 190.302	7.5256 137.237 7.13781 1.71774 145.902	Settzerland _	6.25 - 6.29% 130.65 - 131.50 12.75% - 12.86% 1.5015 - 1.5130	6.264 - 6.264 130.80 - 130.90 12.79 - 12.794 1.5050 - 1.5060	1.35-1.45 creits 0.39-0.36 per 3.80-3.50 gropes 0.58-0.54 cpm	-268 3.43 3.41 4.46	4.10-4.30ds 1.12-1.07pm 11.25-10.25pm 1.61-1.55pm	268 334 334 419
irich Papi .	- 1	0.007053	0.771860	TUR MEN MEN	un es érigen à ris	CONTRACT OF THE PARTY OF	CHARLES ON THE CONTRACT	التعود	the US dollar and	

					=				
June 27	Rank of England Index	Morgan to Gearanty Changes %	June 27	Short term	7 Days notice	(inc Mouth	Tierce Months	Str Months	Û Y
Steritor J. S Polis J.	74.8 97.0 84.7 134.8 98.2 98.5 144.7 189.6 133.2 69.7 49.3 201.6	-17.2 -11.1 -1.5 -1.5 -5.9 +11.1 +20.8 +21.7 +13.6 -14.2 -20.8 +79.4	Stertlag US Dorfar Can Dollar D. Gelder So. Franc Desischmark Fr. Franc Italian Lire B. Fr. (Fral) B. Fr. (Gas.) Yes D. Rrose Aciao SSing	84.84 74.78 84.24 24.24 43.74 43.74 54.54 54.54 54.54 84.87	9) 81 78-72 85,85 3-25 23-24 14-74 9-55 64-64 84-85 78-78	917-75-1-9-1-9-1-9-1-9-1-9-1-9-1-9-1-9-1-9-1-	914-775 775-755 44-44-33-75-64 77-77-64 61-44-64 61-44-64 61-44-64 61-74-75-75-75-75-75-75-75-75-75-75-75-75-75-	9747-944-9848-7 174-944-945-7 174-94-74-75-75-74-8-7-	3854X4X4X4X4X

Long term Eurodollars: two years 84-85; per cent; three years 9-84; per cent; flow years 94-84; per cent; flow yea

Fr. H.FL Lira CS B.Fr.

1117 359

1127 15.66

3340 1361

1519

1.64T 5.378

2297 2.056 64.90 1349 1.207 38.11

741.4 0.664 20.95 10310 9.228 291.3

2198 1967 62.11 895.5 0.802 25.30

458.2 0.589 18.60 1000. 0.895 28.25

1 3168 100

OTHE	R CURREN	CIES		WAF 6	-	-								
June 27	E	S	EXCHA	EXCHANGE CROSS RATES										
Argentina Australia	14.4200 - 14.5140 2.0656 - 2.0885	8.4700 - 8.5200 1.2255 - 1.2245	Jose 27	£	5	DM	Yes	F Fr.	S					
Brazil Fioland General	317.80 - 319.55 7.3270 - 7.3485 248.00 - 252.40	196 60 - 187 55 4 3100 - 4 3120 144 75 - 147 15 7 7980 - 7 8000	\$	1 9.587	1.703 1	3.098 1.819	222.8 130.8	10.45 6.136	25					
traq Korea(Stik) Korea(11.2635 - 13.2809 122.10* 1252.95 - 1264.30 0.47800 - 0.47850	67.70° 725.50-732.10 0.28105-0.28115	DM YEN	0.323 4.488	0.550 7.644	13.90	71.92 1000.	3.373 46.90	0.8 11					
Malaysia	44190-44305 3882.85-3895.35	38.05 - 38.15 2.5980 - 2.6010 2280.06 - 2290.00	F Fr. S Fr.	0.957 0.390	1.630 0.664	2.965 1.208	213.2 86.86	10. 4.074	24 1					
H. Zestand Saudi Ar Sugapore	6,3785 - 6,3845 3,4745 - 3,4800	1 4500 - 1 4515 3 7500 - 3 7510 2,0415 - 2,0435	H FL Lieu	0.297 0.435	0.488 0.741	0.898 1.349	61.84 97.00	2.994 4.549	0.7 1.1					
S. Af (Cm) S. Af (Fm) Tahran U.A.E.	3.9568 - 3.9670 5.4740 - 5.5645 49.55 - 49.80 6.285 - 6.2525	23125 - 23140 32155 - 32660 28.75 - 28.85 3.6725 - 3.6735	CS- 8 Fr.	0.486 1.541	0.828 2.624	1.507 4.773	108.4 343.3	5.083 16.10	1.2 3.5					
U.R.L		-3.9133			•									

MONEY MARKETS

London looks for 10% base rates

LONDON INTERBANK rates accounted for an additional closed yesterday sharply higher on the back of the poor trade in the note circulation of £415m in the note circulation of £415m and bank balances brought forcounting close on a full point rise in UK base rates. The Bank of England failed to signal any further rate rise, but the market is convinced that another increase cannot be long delayed.

Rates also tightened in Frankfurt, partly because of a drain on

O per cost from June 22

Rates also tightened in Frank-furt, partly because of a drain on liquidity, but also because many traders expected the Bundesbank to increase the discount rate after Thursday's meeting of the central council.

The key three-month rate opened at 9491 p.c. and eased initially, before the trade figures were known, to a low of 9494 state owned banks last week p.c. before moving up to the day's high of 9494 p.c. in the afternoon, compared with 9494 p.c. on Friday. The one year rate rose to 104-104 p.c. from 104-94 p.c. Overnight money traded between a low of 6½ p.c. and a high of 11 p.c.

The Bank forecast a flat position in the money market with bills maturing in official hands and repayment of late assistance, together with a take up of Treasury bills draining a nominal \$4m\$. Exchequer transactions

4m. Exchequer transactions same period last month.

(11.00 a.m. June 2	7) 3 montis	ES dollars	1	é montie	i US Dollars	
bid 72	of i	er 7 <u>11</u>	bk	1 7度	ofte	7度
he fixing rates are the artif y the market to five reserve olyo, Deutsche Bank, Ban MONEY RATES	nger Maximus (Manager and a	melina dan The	hanks are listin	d offered rates nel Westmissis	for \$10m quot r Bank, Bank
VEW YORK Lunchtime) river rate roter lost rate ed frants at laterwastice	832 S	te month to month te month te year		6.24 Four; 6.73 Five; 7.11 Seven		823 841 851 875 889
June 27	Overnight	One Month	Taro Months	Three Months	Sir Months	Located Intervention
rantiert arts arts scientaire object ressets	3.65-4.00 74-7-6 15-14 2-25 159375 10-105 5.10 7-74	127-25-25-25-25-25-25-25-25-25-25-25-25-25-	415-430 74-74 71 ₂ -71 ₄	185 1856 185 1856	450-465 77 ₈ -77 ₂ 81 ₈ -81 ₈	4.50 7.00 -
LONDON MON	EY RAT	E\$				
Jee 27	Overségia	7 days sotice	One Morth	Three Months	Şiz Monti s	Dae Year
terbank Offer terhank Bild serfing CD3. Serf	11 6/2 7/4 9 9	81, 772; 8 8 8 8 8 8 9 9 9 9 9 9 9 9 9 9 9 9 9	915 915 915 916 917 917 917 917 917 917 917 917 917 917	93. 93. 93. 93. 93. 93. 93. 93. 93. 93.	101 95 10 95 10 10 10 10 7.80-7.75 64 64 64 64 64 64 64 64 64 64 64 64 64	101, 101, 101, 101, 101, 101, 101, 101,

FINANCIAL FUTURES

Gilt prices lose ground

LONG GILT and three-month sterling deposits were both sharply weaker in yesterday's Liffe market, following a larger than expected increase in May's UK trade deficit, and sterling's IVK trade deficit, and sterling's all but discounting a full one point rise in base rates. The September price closed at 89.74 against 89.80 at the opening and the absence of a rise in base rates. The September price closed at 89.74 against 89.80 at the opening and 89.33 at the previous close. US Treasury bonds lost ground opened lower at 94-12, and sank to a low of 93-23, before closing at though resistance levels encouraged investors to take profits.

of the day.
In Paris, the French franc-shipped to a 10-month low against

ume total, Calls 3467 Pats 6991 anno lat. Calls 24664 Pats 33693

LIFFE EUROPOLLAR OPTIONS Clas paints of 108%

3.70 5.05 9.10 7.15 11.60 16.40 280 156 115 030 030 030

July Aug Sep 2.01 2.60 13-35 1.00 1.06 1.71 0.45 1.06 1.71 0.02 0.30 0.66 0.20 0.30 0.66 0.20 0.30 0.66 0.20 0.30 0.66 0.20 0.30 0.66 0.20 0.30 0.66 0.20 0.30 0.66 0.20 0.30 0.66 CHICAGO

Close High Low Prev. 101.93 101.95 101.75 103.15 101.13 Stimated Volume 578(469) Previous day's open int. 649(6).2

Close High Low Prev. 184.65 186.90 183.60 185.30 185.75 187.50 184.70 187.30

High Low 88-28 88-03

Estimated Volume 11,251(9559) Previous day's open int. 7252(6981) **CURRENCY FUTURES** LIFFE-STEPLING £25,000 \$ per £

Estimated Volume 83(23) Previous day's open int. 182(171)

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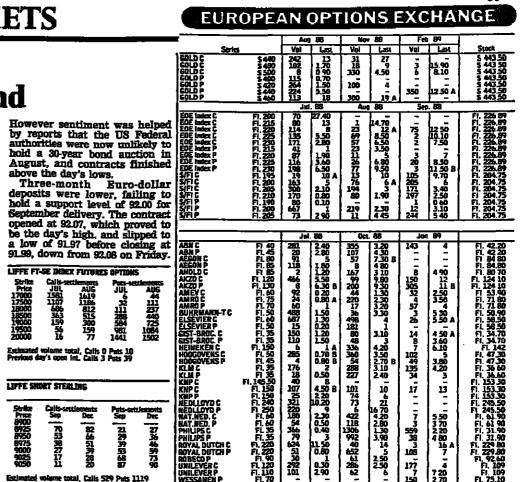
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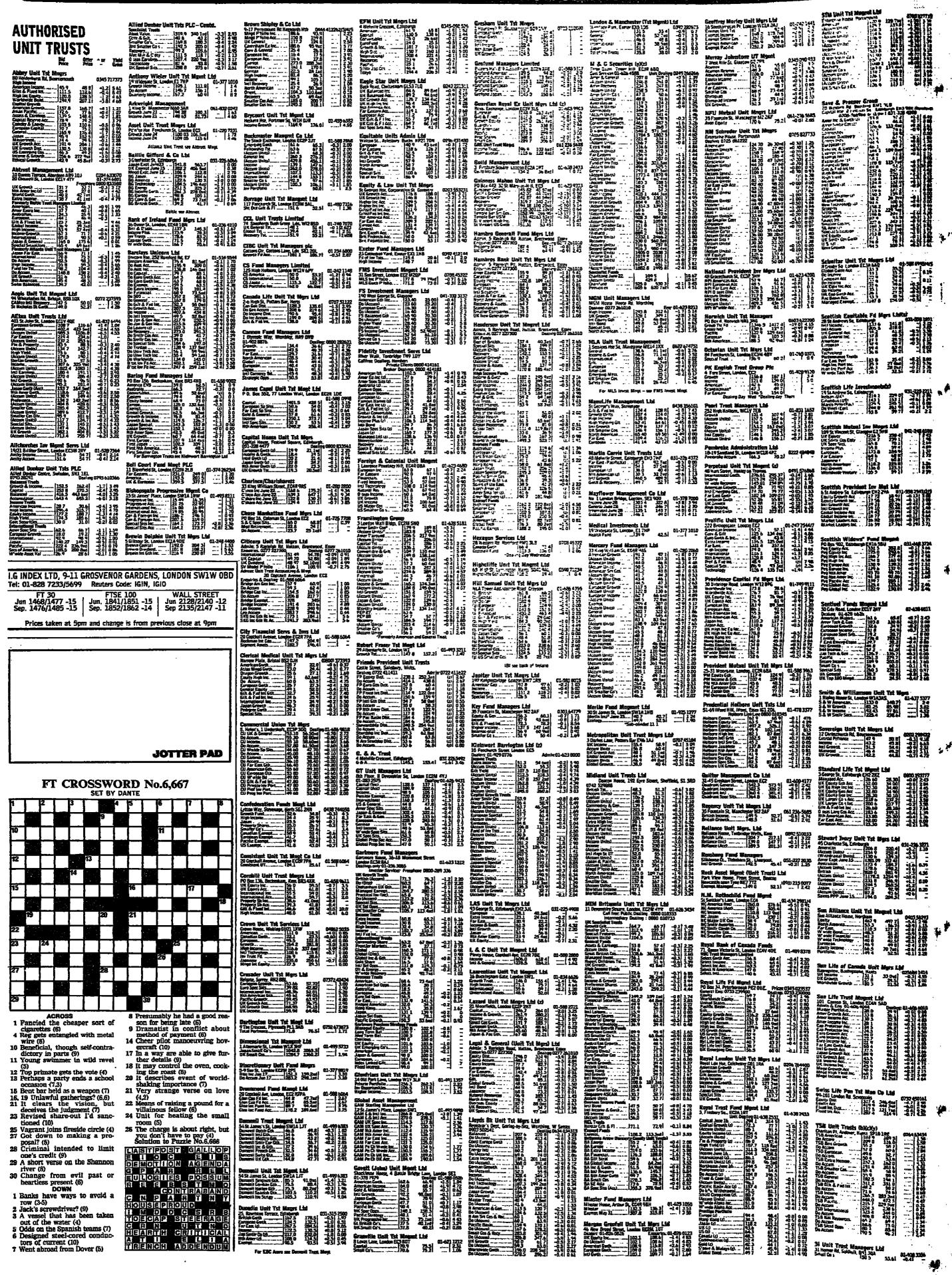
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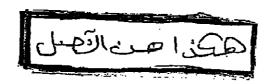
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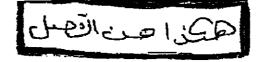
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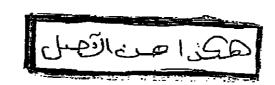


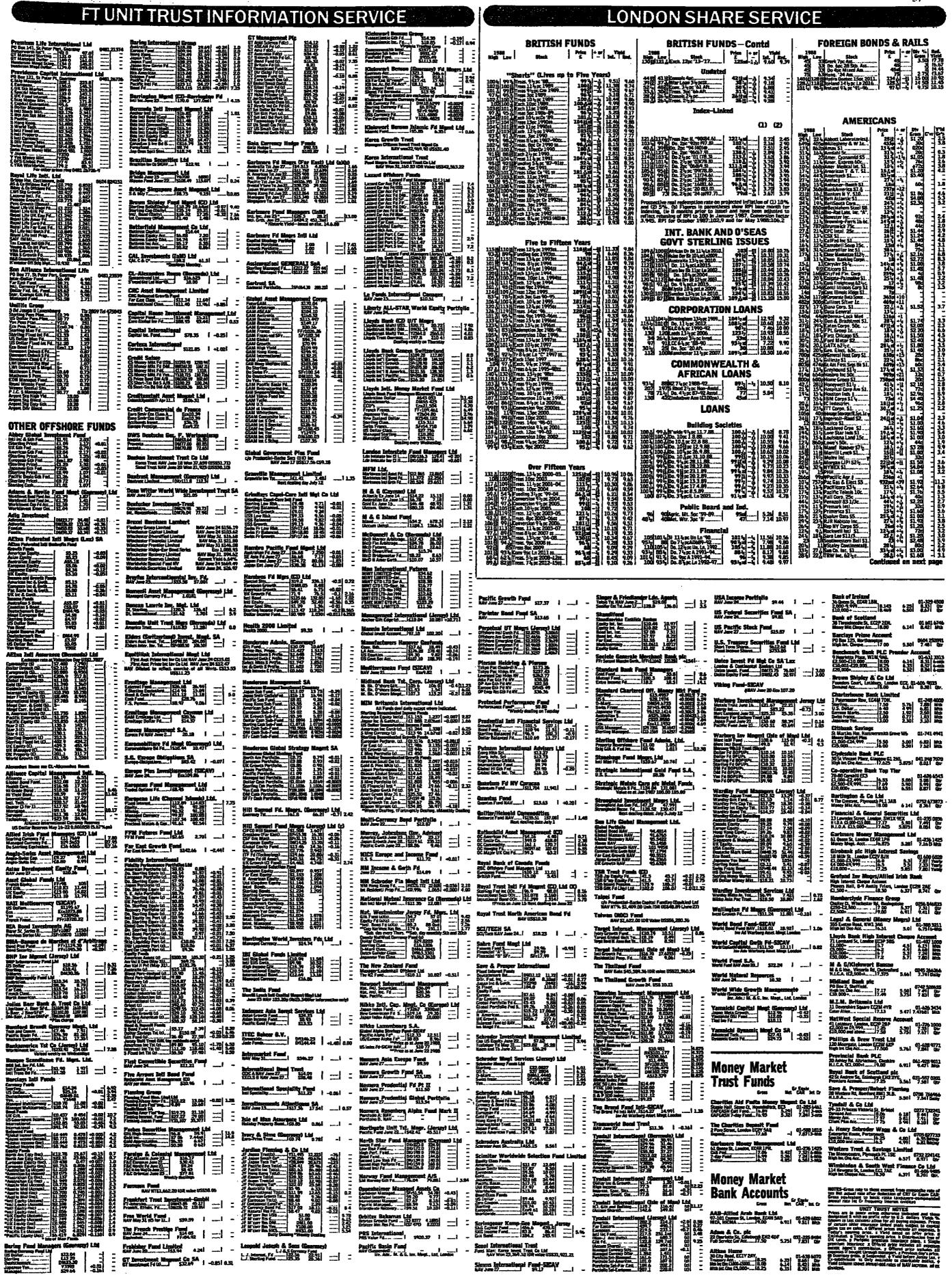
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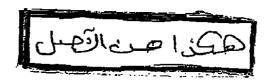




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Dealings Day Jul 1 Jul 11

A SHARP deterioration in the UK trade figures for May knocked the legs from under the London securities markets yesterday. Government bonds and equities fell sharply as sterling plunged on the news of deficits of £1.7bn on visible trade and £1.2bn on current account, both nearly twice the size predicted in the

The stock market was thrown into a frenzy of excitement by the trade deficit announcement, and share prices spiralled downwards in a virtual free-fall. However, selling was restrained by the speed with which marketmakers cut their price quotations.

Any potential benefits to export profits from the falling Gilts ranged to a full point, with pound were outweighed by the realisation that UK domestic rates will be forced higher to pro-tect the currency. Rates are expected to rise very quickly, possibly even today, and the only question posed in the stock mar-ket yesterday was: "By how

Short-dated Gilts, taking their cue from the London money marcue from the London money mar-kets, appeared to be fully dis-counting a half point rise to 9% per cent in UK base rates, and indeed, "partly discounting a full point hike", commented Mr John Shepperd of Warburg Securities.

Equities, already weakening ahead of the trade figures announcement which came at 11.30am, dropped like a stone after the news, as prices were

marked sharply lower.
With the Seaq screens carrying the "fast markets" warning implying that marketmakers' quotations were not firm dealing prices - the market quickly fell by a net 36.4 points on the FT-SE

The fall was universal, encompassing both the international stocks, which could benefit from lower sterling, and the property and consumer sectors which are likely to be hurt by higher inter-

At one stage, every stock in the FT-SE 100 list showed a loss on the day. It was well-nigh impossible to sell shares during the rout, the company had temporarily however, and the market fell grounded its two operational quiet as it watched the foreign A320's pending investigation of exchange and bond markets.

The blue chips tried to rally, on ing 7 lower at 143p, the shares consideration of the implications were lifted by the settlement of for export sales of the falling BA's booking dispute with US pound, but were inhibited by a rival American Airlines and poor start on Wall Street.

At the close, the FT-SE 100 before ending 3 lower at 147p. Index was a net 29.8 down at 1841.5, exactly matching the close professional operators, worried

Equities and Gilt-edged fall heavily after news announced by Castle and, last week, the Rugby Group, will be followed by a similar move by BCI this week.

of UK May trade deficit

	FI	NANC	IAL 7	IMES	STO	CK II	VDICE:	5 .		
	Jone	June	June	June	June	Year	19	88	Since Co	mpilation
	27	24	23	22	21	Ago	High	Low	High	Low
Government Secs	87.96	88.45	88.82	89.15	99-10	90.41	91.43 (18/4)	86.97 03/1)	127.4	49.18 (3/1/75)
Fixed Interest	97.61	97.83	98.02	97.99	98.13	97.04	98.67	94,14	105.4	50.53
Ordinary ♥	1468.1	1494.9	1496.7	1496.5	1481.6	1784.6	(25/5) 1,496.7	(8/1) 1349.0	(28/11/47) 1926.2	49,4
Gold Mines	211.0	213.3	214.1	215.7	215.9	380.7	(23/6) 312.5	08/20 195.4	(16/7/87) 734.7	(25/6/40) 43.5
	24.4			٠			7/1	(13/5)	(15/2/83)	(26/10/71)
Ord. Div. Yield	4.53	4 45	4.44	4.45	4.50	3.20		S.E AC		1
Earnings Ykl. %(full)	11.62	11.40	11.38	11.14	11.55	7.74	indices		June 24	June 23
P/E Ratio (net)(*)	10.49	10.69	10.71	10.69	10.56	15.90		Bargains		128.4
SEAQ Bargains (Spm)	26,221	24,338	28,183	24,746	21,760	47,585		2#6 E		3107.2
Equity Turnover (Em)	l	2659.42	1537.32	1075 98	955.98	4199.79		ige Bargains		113.8
Equity Bargains	-	27,995	30,5%	27,142	24,865	62,461	Equity Barr	pargaliis	175.6	182.4
Shares Traded (mil)	-	597.7	573.1	443.1	395.3	820.2				2194.2
			<u> </u>							 _
♥ Opening 10 a		11 a.m		p.m.	1 p.r		2 p.m.	3 p.m		p.m.
1489.7	9.4	1488.6	3 114	75.5	1466). 6]	1465.2	1467.	3 (*	69.4
		Day's	High 14	489.7	Day's	low 14	164.1			
Proje 100 Cord Co.	~ 15505							ateies 1074	* MIL 10 W	9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nii = 10.39.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

trading positions. It was one way traffic for most of the session, but relief arrived late when a leading house bought heavily into traded options and the shares rallied to by saying, "absolutely no comoptions and the shares rallied to by saying, "absolutely no com-close 12 down at 407p, after 403p. ment". Y&V shares closed 20 bet-Other speculative favourites

were caught in the backwash and RHM fell 12 to 383p. S & W Berlsford, which announced fresh developments in its planned restructuring programme, remained at 345p.

Yale & Valor (Y&V), the diversified electronics and security group, jumped 30 to 331p in early trading as dealers reacted to rumours that a declarable stake may have been built in the company. According to one trader, the rumours began amid persis-tent buying of Y&V shares last

shares ended at 399p, down 8 on know if someone will declare a stake, but I do know that 4.9 per British Airways (BA) shares also lost altitude on news that cent of our shares were bought last week and most have been registered in nominee names. There was more buying today." He added that Y&V had contacted the nominees to ask them to reveal their identities - in the past both the Kuwait Investment Office and the State of Brunei are thought to have bought Y&V traded better through the day shares under nominee name

Companies mentioned in the Cadbury Schweppes suffered as market as possible stakebuilders included Racal and Williams Holdings. Mr Montague described the gain prompted by the recent ness, scampered to reduce their the prospect of Racal being the

ter at 321p.

The twin depressants of plunging equities and a bearish picture for crude oil prices - which gave ground yesterday on talk of further discounting by Saudi Arabia
- triggered widespread losses
throughout oil and gas issues.

BP, still upset by the recent downgrading of dividend forecast by Kleinwort Grieveson, the UK securities house, showed the "old" sold down to 250p before settling 4% off at 252%p on turnover of 4.8m. The "new" retreated 2 to 60%p with 8.5m traded. week, but hardened yesterday.

Mr Michael Montague, chairman of Y&V, commented "I don't have been generated by Klein-Shell, however, held around 1067p with US support said to wort's recommendation to switch from BP to Shell. British Gas gave up 31/2 to 183p on turnover

> Takeover favourites Enterprise and LASMO came under pressurewith the latter 13 off at 444p and the former 11 down at 475p International stocks generally moved down with the market, although major dollar earners rallied in later trading. ICI closed 11 down at 1074p in light trading. Dealers said sterling's fall against the D-Mark as well as a small bear squeeze contributed to the relatively modest fall.

of 6.4m shares.

Shell Tracs. (*1068)

rafalgar Hous (°306°)

5AT Inds (*420)

off the day's low of 954p. In the end the price finished 15 worse at 958p as barely 1m shares changed its stake by some 500,000 shares to 33.2m shares or 7.88 per cent;

Beecham held up well against the trend, closing just 3 down at 462p, with one marketmaker prominent in supporting the stock. Elsewhere, Hanson shaded ½ to 142p in turnover of 6.7m and Fisons gave up 7 to 267p.

and GRE 15 to 945p.

tive rally late in the session.

The extremely competitive nature of marketmakers in the insurance sector over the past week developed an even sharper edge yesterday when BZW initispreads in life assurances and composites.

lowed by UBS Phillips & Drew and Smith New Court, but was

resisted by County NatWest. cement price increases to 305p. **NEW HIGHS AND LOWS FOR 1988**

NEW HIGHS AND

NEW HIGHS (134).

ANERICANS (34) CANADIANS (17) BAIRCS (2)
SECURITY PACIFIC, Wells Fargo, BREWERS (2) Burtonwood Brewery, Muston Thompson, BURD-PINGS (3) Achitead Group, McLaughlin & Harvey, Wisson Bowden, CHEMICALS (3) Akco, Engelhard, Novo Inda, STORES (3) Gent (5 ft), Upton (E.), Wilching Otice Equipment, BLECTRICALS (7) Automated Securities, Bleck & Decker, Bildy, Lec Refrigeration, Motorola, Phillips Lamp, Teleionica, ENGRIEERING (8) Beautord, Chamberian & Hill, GEI Ind., Hedden MacLailar, Hall Eng., 6 K.F. AB, POODS (2) BSM, Jacob (W. & R.), INDUSTRUALS (15) AGA AB, Billiam (J.), Cennon Street Inte., Cathay Pacific, Dover Corpn., Esseite, Fuel Tech., Hutchireon Whampool, Roper, Co. A., St. Godbern, Security Services, Sotthebys Hidge Inc. A. Southern Business Group, Switze Pacific, MSURANCE (4) Alax & Alex, Marsh & McLenman, Torchmark, LISLIFE, LE-SURE (4) Bond Media, Classic Thoroughtrees, Casadrant Group, Sega Holdays, MSTORES (1) General Motors, NEWSPAPERS (1) Home Coun-

SBCI Savory Milln responded by some relief in the Stores sector, reducing the size of bargain it is going against the trend after the prepared to make prices in.

release of new bid terms from property developers Clayform. interim statement on an unfortunate day. Mid-term profits were pany at £10cm and impressed the slightly higher than most expectations but the absence of a property revaluation, which had been failed to impress the board of most truebed off profit takes. Trusthouse Forte revealed its oted, touched off profit-taking S&S, which unanimously advised shareholders to reject the offer. after Friday's good rise. The reaction gathered pace News of the rejection brought when analysts returned unim S&S "A" shares back to close 3 pressed from the ensuing meet-better on 136p while the ordinary of the research of the rejection brought when analysts returned units and the rejection brought when analysts returned units and the rejection brought when analysis are returned units and the rejection brought when analysis are returned units and the rejection brought when analysis are returned units and the rejection brought when analysis are returned units and the rejection brought when analysis are returned units and the rejection brought when analysis are returned units and the rejection brought when any the rejection brought when an

ing with the group. Many naries maintained their position regarded the shares a hold only to end the day up % on £14%.

Woolworths rallied briefly on a net 10 lower on the day at 254p. the news of its acquisition of 15 Life assurances mirrored the Connect stores in Northern overall market but rallied Ireland, bought from Granada overall market but failted fream, bought from Chamber strongly at the close amid fresh through its Comet subsidiary for bid talk and also on news that \$2.3m\$. However, the undercurscottish Widows, one of the biggest pension groups in the UK, and Woolworths were dragged had experienced record personal pension sales in the first half. The electronics sector Abbey Life rose 4 to 317p, having head extremely well" according to dealers who reported only

"behaved extremely well" according to dealers who reported only minor selling of the leaders, ahead of a number of major news been 310p early on, while Legal & General edged up 2 to 306p. Composite insurer Commercial Union dropped 13 to 380p as Adsteam revealed it had reduced announcements expected this week, including the Defence Select Committee report on defence spending.

Racal, turnover 3.6m, settled a shade off at 345p in front of the but dealers were also suggesting Adsteam's move could have been made to shake out some of the preliminary figures - expected to be in the region of £135m against £100m - and more recent speculative buyers in the stock. In relatively thin trading General Accident lost 10 to 880p importantly details of the Vodafone flotation. GEC, rumoured to have recently picked up a stake in Bacal, lost 4 at 155p on turn-over of far, Kleinwort Grieveson For rate indications see and of the first for FITS when GEC. Brokers showed Willis Faber 5 to the good at 273p in the wake of an institutional buying order.
The building market mirrored are going for £715m when GEC reveals full-year figures on the prospect of higher interest

Wednesday. rates and dropped swiftly mid -morning before staging a tenta-Atlantic Computer jumped 7 more to 356p, still buoyed by the "buy" recommendation issued by BCI were well supported as the day wore on and closed only 3 easier at 421p reflecting a general mood of optimism that the

Well-known names such as GKN, down 12 at 314p, and Hawker Siddeley, 8 lower at 592p. were among a long list of sizeable falls in the Engineering sector. To dropped 7 to 340p and Vickers slipped back 9 to 161p. Few stocks resisted the trend but Cartalogue and the stock of clo moved up 6 to 160p following news that the preliminary statement would be announced early

J.Sainsbury led major Food stocks lower, losing 6 to 221p while Tate & Lyle gave up 11 at 804p. Borthwicks were one of few issues to escape the downturn. bounding 9 to 68p on reports that Polly Peck has built up a near disclosable stake of 5 per cent.

The dismal performance of Savoy Hotel shares since Trust-house Forte expressed a desire to sell its sizeable holding continued, the "A" falling 62 more to

Dowly produced better-than-ex-pected figures and excellent earnings prospects and the shares responded by adding 7 to 199p, after 200p. Oakwood Group jumped 45 in a thin market ahead of today's interim figures, closing at 620p. Boots gave up 5 to 218p with the market, despite announcing a breakthrough in Legion-

naire's Disease detection. Business in Traded Options was quiet early on but picked up after the trade figures, with FTSE stocks traded heavily. In total 22,425 calls and 9,946 puts were traded during the day, totalling 32,371 contracts. BP was the most popular stock with 3,271 calls but only 212 puts, followed by Racal with 2,510 calls and 620 puts.

Traditional Options

• First dealings June 13

London Share Service Calls were taken out in Burmah Norfolk Capital, Ovoca Gold, RTZ, Cambridge Instruments, INOCO, Abbey Life, Kelt Energy, Wembley, Cadbury Schweppes Chris Tucker of Kleinwort Gri-eveson. Talk of a possible joint Astra Holdings. A put was transventure with IBM boosted CAP 5 acted in INOCO and a double in

TRADING VOLUME IN MAJOR STOCKS

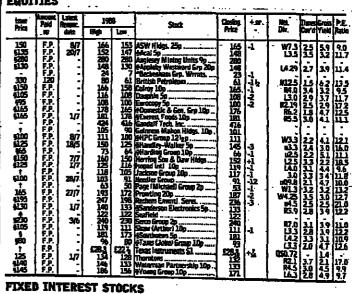
Norfolk Capital.

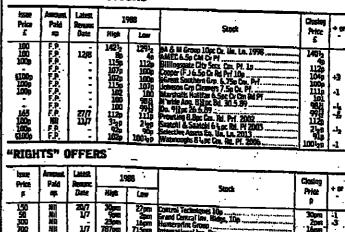


RISES AND FALLS YESTERBAY

critish Funds corporations, Dominion and Foreign Bonds mancial and Properties lis lanations fines	Rises 0 229 86 23 2 32 140	Falls 109 35 690 277 99 2 72	Same 3 18 649 285 46 -9 87
Totals	513	1,269	1.164

LONDON RECENT ISSUES





ksur Price	America. Pald	Latest. Record	19	288		Closing
F	4	Date	High	Law	Stock	Price
150 58 58 58 59 140 21	두 교육 분명 전동	12 12 12 12 12 12 12 12 12 12 12 12 12 1	30pm 9pm 23pm 787pm 7pm 30pm 29pm	16pm 715pm 2pm 2pm 13pm 214m	Comma Techniques (Up Grand Dencal Inn, Ridge, Tup Humerporin, Grand International Inc. Prop. Rowk-Pri. Hidgs, 10p Getta Appointments 5p Telemetrix 5p	767pm 767pm 2pm 30pm
estimated a based on lat and yield b	metalised (lest acoust asset on pro	dvidend of earologs.l epectus or	ite, cover is M. Divisional cottoer official	and yield i and yield i	Educates a Division of rate point or populate on para of yield 5 Divisional and yield excitate special payon shows year's carnings. L. Estimated amoualised divi- sacied on Processions or other official estimates to use for 1987. Q George R Forecast, amounteed their W Pro Forma Rigues 9 bested by toucker 4 Offi price, 17 Relationalization. 4 Supple in consecution	of confi.

FT - ACTUARIES INDICES

advance in the US securities mar-

Turnover, as reflected by a

Seaq share volume of 390.7m

shares, was not heavy by recent

the speed with which prices were marked down by marketmakers.

in Gilts, since prices had opened

firmer as some traders closed positions after the market's

weakness on Thursday and Fri-

down on the trade figures news. "Any move in the trade deficit

above 51bn was bad news for the

market", said one dealer. The

bond market would regard a move to base rates above 9 per

cent as a significant tightening in

monetary policy.

By the close, falls in long-dated

the mediums down by % and the shorts nearly half a point off.

With prices moving at speed, it was difficult for the investment

institutions to sell stock, and

most were content to keep out of

on the London International

A single firm exception in Gilts was Redemption 3 per cent 1986-96, which moved higher, responding to the Bank of

England's proposal to redeem the

British Aerospace were

marked down 10 to 397p as deal-

ers reacted cautiously to the

crash of an A320 Airbus at Mul-

house, France on Sunday - Aero-

the A320 project and manufac-tures the wings. Any reduction in

orders for the A320 would cut its

future earnings, but analysts were warning investors to wait

for the outcome of the official

The relatively high passenger survival rate at Mulhouse helped

to restrain the opening price fall,

ness protected Aerospace from

the worst of the day's losses. The

the day in turnover of 3.3m.

accident investigation.

Financial Futures Exchange

the bond futures quotations

The sector quickly turned

The shock was all the greater

These Indices are the joint compilation of the Financial Times the Institute of Actuaries and the Faculty of Actuaries

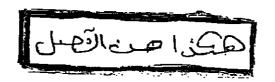
	EQUITY GROUPS & SUB-SECTIONS	Monday June 27 1988						Fri Jun 24	Tau Jun 23	Wed Jun 22	(approx)
Fig	sures in parentheses show number of stocks per section	îndex No.	Day's Change	Est. Earnings Yleid% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Index No.	index Ko.	Index No.	Index No.
1	CAPITAL GOODS (208)	782.65	-1.4	10.04	3.96	12,40	12.32	794,10	793.59	793.26	955.31
2	Building Materials (29) Contracting, Construction (35)	998.39	-1.9	11.03	4.16	11.17	15.99	1017.45	1025.30	1022.84	1241.07
3	Contracting, Construction (35)	1590.04	-1.0	10.35	3.37	12.64	25.92	1605.70	1610.07	1603.77	1728.48
4	{ Electricals (12)	<u> 1</u> 2071.70	-1.5	9.10	4,80	13.59	45.53	2183.15	21,68.39	2121.77	2411.02
5	Electronies (31)	1701.40	-1.5	9.72	3.22	13.35	18.75	1727.89	1703.88	1715.97	2129.66
6	Mechanical Engineering (56)	402.42	-1.1	9.67	4.34	12.91	7.18	406.72	405.95	495.25	506.41
8	Metals and Metal Forming (81	471.21	-1.0	19.14	3.97	12.18	7.77	476.16	479.85	478.22	530.76
9	Motors (13)	279.04	-1.6	11.56	4.39	18.04	5.22	263,52	283.90	282.81	370.15
10	Other Industrial Materials (24)		-1.5	9.15	4.36	12.97	21.24	1312.89	1317.15	1311.44	1543.29
21	CONSUMER GROUP (187)	1085.77	-1.6	8.94	3.56	14.15	25.42	1103.27	1107.97	1186.37	1314.77
22	Brewers and Distillers (21)	1117.70	-15	10.65	3.61	11.79	15.78	1134.22	1137.61	1137.01	1194.09
25	Food Manufacturing (23)	980.99	-1.3	8.39	3.52	15.26	14.70	994.31	1000-12	990.39	1035.64
26	Food Retailing (16)	1990.87	-1.9	8.66	3.31	15.37	21.46	2029,32	2954.93	2047.32	2489.14
27	Health and Household (12)	1840.63	-1.3	6.82	2.65	17.09	17.35	1865.65	1875.98	1889.76	2481.90
29	Leisure (30)	1331.89	-2.7	7.94	3.61	26.07	28.36	2355.22	1349.99	1353.85	1378.32
31	Packaging & Paper (17)	516.66	-0.9	9.36	3.89	13.56	9.15	521_13	519.19	519.24	705.89
32	Publishing & Printing (17)	3430.68		8.25	4.43	15.28	70.60	3449.29	3475.64	3463.26	4382.42
3∹	Stores (34)	802.51	-2.2	10.46	4.00	12.62	13.45	820.72	823.53	227.37	1871.37
35	Textiles (17)	597.61	-1.5	11.45	4.55	18.25	10.99	686.62	616.39	599.77	604.99
40	OTHER GROUPS (92)	906.51	-1.1	10.73	4.30	11.41	10.59	916.98	917.20	913.44	1111.88
41	Agencies (19)	1179.30	-0.9	7.03	2.29	17.95	11.31	1198.15	1193.46	1200,70	1662.94
42	Chemicals (20)	1083.65	-1.3	11,18	4.54	10.93	22.14	1097.42	1097.49	1085.04	1409.45
43	Canglomerates (13)	1209.05	-8.9	10.45	4.40	11,00	16.27	1219.46	1226.17	1226.64	1426.25
45	Shipping and Transport (12)	[1985.55]	-1.5	11.28	4.69	11.74	34.04	1935.47	1943.54	1948.16	2266.27
47	Telephone Networks (2)	989.30	-1.1	11.26	4.50	11.53	6.60	999.85	991.49	981.06	1121.52
48	Miscellaneous (26)	1170.68	-1.4	11.23	4.39	10.11	20.25	1186.21	1192.79	1196.65	1515.62
40	INDUSTRIAL GROUP (487)	969.71	-1.4	9.72	3,87	12.83	13.48	983,74	985,59	983,72	1180.65
51	Oil & Gas (13)	1825.92	-13	10.96	5,88	11.73	39.08	1549.44	1863.67		2323.26
59	500 SHARE INDEX (500)		-1.4	9,89	4,14	12.66	15.67	1057.09	1059.94		1277.69
	FINANCIAL GROUP (123)	707 07		-					_		
61 62	PINANCIAL GRUUP (123) Banks (5)	103.72 673 PE	-1.3 -1.7	23.35	4.77	6.34	14.82 13.03	713.52 684.19	716.58 682.93	717.59	822.47
65	Insurance (Life) (8)		-0.4	23.35	6.05 4.92	-5-4	24.97		1033.80	685.78 1036.49	834.29
66	Insurance (Composite) (7)	549 19	-1.6	🗀	5.39] []	13.82	558.01	545.37	565.14	1151.81 618.66
67	Insurance (Brokers) (7)	1022 51	+1.1	9,42	6.23	13.71	31.54	1011.29	1014.93	1007.07	1267.61
68	Merchant Banks (11)		-0.5	7,76	4.01	ادر.يه ا	3,94	361.36	363.60	367.79	409.83
69	Property (52)	1227 83	-1.9	4.91	2.62	26.05	13.17	1251.53	1255.50	1253.90	1320.08
70	Other Financial (30)	383.03	-1.0	10.13	4.92	12.28	8.24	386.77	388.45	388.41	533.48
71	Investment Trusts (78)		-0.6		2.99		11.48	911.49	913.98	989.31	1088.57
81	Mining Finance (2)	520 12	-2.4	9.13	3.55	12.38	8.12	542.26	715.70 556.12	551.92	503.41
91	Overseas Traders (8)	1327.46	-1.2	10.02	4.85	11.73	27.88	1165.86	1162.99		
_										1148.40	1091.35
99	ALL-SHARE INDEX (711)	954.22	-1.4	-	4.20	-	15.25	967.61	978.75	969.90	1153.43
	- -	index	Day's	Day's	Day's	Jue:	Jun	J 00	Jus	Juz	Year
	<u> </u>	No.	Change	High	Low	24	23	22	21	20	290
	FT-SE 100 SHARE INDEX 4	1841.5		1864.7	1834,9	1871.3	1878.9	1879.3	1860.1	1844.0	

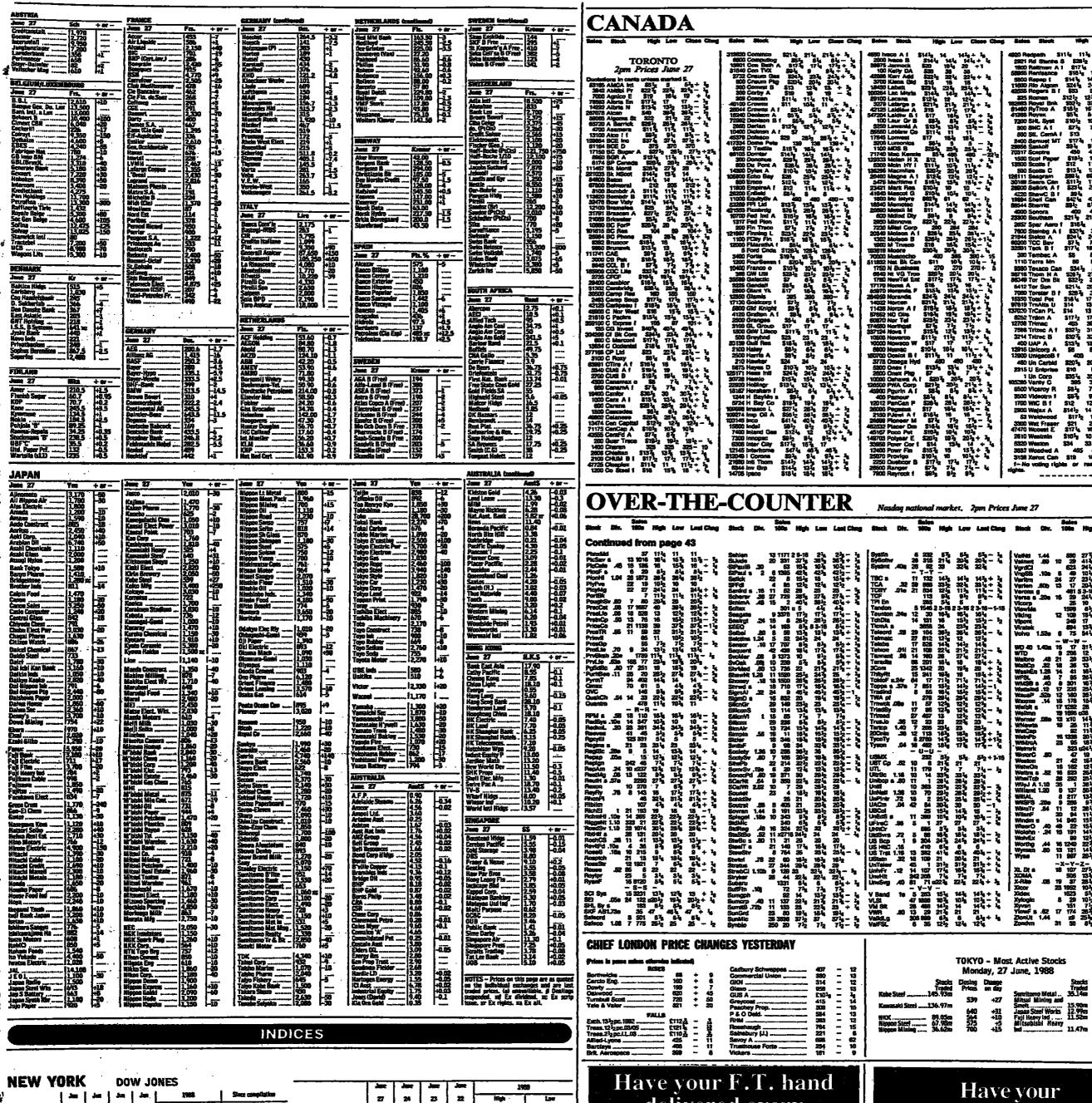
	FI	KED 1	NTE	REST	•		AVERAGE GROSS REDEMPTION YIELDS	Maa Jun 27	Fri Jun 24	Year ago (approx.)	
	PRICE INDICES	Mon Jun 27	Day's change	Fri Jun 24	xd adj. today	xd adj. 1988 to date	1 2	British Government Low Syears	9.50	9.22 9.41	9.07
2 3 4	irredeemables	120.97 136.58 146.09 162.16 133.98	-0.65 -0.70 -0.44	121.79 137.47 147.13 163.88 134.89	- 0.99	5.87 7.09 6.88 7.30 6.68	7	25 years. Medium 5 years. Coupons 15 years. 25 years. High 5 years. Coupons 15 years. 25 years. Irredesmables 1	9.87 9.70 9.50 9.95	9.19 9.71 9.60 9.40 9.78 9.76 9.48 9.38	
6 7	Index-Linked 5 years Over 5 years	127.31 120.04 120.47	-0.85	127.30 120.11 120.53		1.32 1.72 1.67	12 13 14	Index-Linked Inflation rate 5% Inflation rate 5% Inflation rate 10% Inflation rate 10% Over 5 yrs. Over 5 yrs. Over 5 yrs. Over 5 yrs.	2.79 3.87 1.77 3.70	2.78 3.87 1.76 3.79	2.56 3.80 2.23 3.73
	Bebentures & Loans Preference	_		118.22 93.52		5.98 3.31	16 17	Debs & 5 years	19.84 10.81 10.77 9.59	19.37 10.76 10.80 9.58	10.18 10.17 10.17 10.22

and the for internation moved down although r rallied in la 11 down at Dealers said the D-Mark bear squeez relatively m Glaxo, by	nal st wn wi major iter tra 1074p i steri c as v ze con nodest	tocks ith the dollar ading. in lig ing's i well a atribu fall	gene e ma er eau iCl c ttra fall ag es a e	rally irket, rners closed iding, painst small o the	Lec F fenica A Hill S K.F INDU Stree Essel ner, L bys. I Swine Marsi SURE Quad	Automated Securities. Black & Decker, Black. Let Raingeration, Motorola, Philips Lamp, Telenotea, ENGINERRING (8) Beaution of Chamberin & Hill, GEI Ind., Hader MacLellan, Hall Eng., SKF. AB, POODS (2) BSN, Jacob (W. & R.), INDUSTRIALS (15) AGA AB, Billam (J.), Cennon Street Invs., Cathay Pacific, Dover Corpn. Esselte, Puel Tech., Huchtinson Whampos. Repner, Co. A., St. Gobern, Security Services, Softnebys. Hidge Inc. A. Southern Business Group, Swire Pacific, INSURANCE (6) Alax & Alex, Marsh & McLennan, Torchmark, USLIFE, LESURE (4) Bond Media, Classic Thoroughtree, SURE (4) General Motors, NEWSPAPERS (1) Home Countries (1) General Motors, NEWSPAPERS (1) Home Countries (1)						Group, Video Tape Recording. NEW LOWS (RT). BRITISH FURDS (27) LOAMS (TT) CHEMICALS (T) Chemony Ind., STORES (4) Field (Mrs.), Men- 206 (J.), The Reck, Uniter (Frank), ELECTRICALS (3) Neotronics Tech., Questel, Ran Data Corpus, FOODS (T) Park Food, ROUSTRIALS (3) Head Writing, Monits & Crane, Shiloh, RASIRANCE (3) Windsor, PAPERS (1) Moorgate Group, PROP- ERTY (1) F.S.M. Properties, TEXTILES (1) Hag- gas (John), TRUSTS (3) TR Tech. Shepped Pri., Brit. & Comm. A. TSpc Cv. Rd. Pri., Nat. Home Loans 7 ¹ 2pc Cv. Pri., QR.S (1) Sandpiper Oil, RENES (3) Buffels, Eleburg, Western Areas.							
				LOI	ND()N	TRA	DED 0	PT	ON	S					l			
			CALLS		-	PÚTS				_		ŀ							
Option		Jøl.	Det	Jan.	Joi.	0ct.	Jan.	Option	Corton			Feb	Aug Nor Feb						
Allied Lyons (9424)	390 420 460	40 18 4	55 30 14	63 43 27	3 9 38	8 16 43	12 24 48	LASMO (*444)	390 420 468	67 43 20	82 60 36	92 75 55	15 33	13 22 40	19 32 47	l			
Brit. Airways (*347)	130 140 160	19 10 2	18 9	21 11	1 2 16	5 18	10 25	P. & O. (*587.)	500 550 600	95 47 15	100 57 30	120 82 50	5 22	17 40	10 25 50	ļ			
Brit. & Contro. (*248)	240 260 280	1B 6 2	25	30 20 12	4 14 12	12 25 37	13 25 40	Pilkington (*204)	180 200 220	27 13 5	33 20 12	42 27 19	11 ₂ 8 23	12 28	9 17 32				
B.P. (*253)	240 260 280	18 6 2	25 5	30 20 12	441	12 23 37	13 25 40	Plessey ("161")	140 160 180	25 9 4	30 17 10	34 21 12	1½ 7 21	12 24	7 16 28				
Bass (*794.)	750 800 850	20	80 47 25	60 35	5 24 60	12 25 65	42 75	Prudential (°156)	150 160 170	13 6 2	16 10 44 ₂	15	3 7½ 16	13 20	15	ľ			
Cable & Wire (*366)	330 360 390	38 18 5	824	5749	11 35	® 23 49	15 30 48	(°345)	300 330 360	48 26 141 ₂	59 39 25	888	13 30	11 27 37	1384	į			
Cons. Gold (*1063)	1000 1050 1100	85 58 28	39 . 22	8, E	11 25 58	47 95	110	R.T.Z. (*426.)	390 420 460	50 27 10	នទព	73 50 33	5 16 45	12725	16 34 68	į			
Gourtaulds (*327)	300 330 360	33 14 3	45 26 14	35 23	3 14 38	1200	28 47	Vaal Retts (*576)	100 80	. 5 25	9 45 25	12. 7	7 15 24	17 26	13 19 28	1			
Com. Union (°379)	360 390 420	30 12 4	42 23	48 32 20	7 19 43	15 32 48	20 36 53	Option Like		Sep	Dec	Mar	Sep	Dec	Mar 11				
British Gas (*183)	170 180 200	15 7 1	17 105 34	17 8	1 31 ₂ 181 ₂	41 ₂ 81 ₄ 23	12 24 b	Amstrad (*203.)	180 200 200	31 19 11	37 24 16	NER	5 12 24	7 15 27	19 29				
6.E.C. (°156)	140 160 180	18 4 1	1983	24 12 -	25 25	* 48	17	Barciays (*408.)	395 420 429	28	37 22	35	38	23 43	43				
6.K.M. (*313)	280 300 330	38 21 5	43 30 16	51 39 25	1½ 5 20	130	11 17 34	Bercham (*462)	428 499 500	54 28 11	64 36 19	48 29	16 16 40	9 25 46	28 50	-			
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Britoil (*500)	420 46 <i>0</i> 500	-		=	Sea	2 6 15	=	Hillsdown (*280)	250 280 300	30 18 9	37 25 15	42 22 23	7 14 28	11 19 33	14 20 30				
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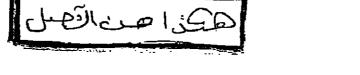
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FINANCIAL TIMES

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Dow slips on profit-taking as dollar reverses course

CONCERNS about rising world interest rates and a decline in the dollar after reports of US Federal Reserve intervention left equities rather than domestic, and foreign and bonds vulnerable to profittaking yesterday, writes Janet Bush in New York

At 2pm, the Dow Jones Industrial Average stood 14.4 lower at kets. 2.128.56. Volume was heavy, boosted partly by stock index arbitrage shortly after the market opened but mainly by active trading in three stocks about to

monetary policy will be kept on hold but economists believe the Fed may authorise further tight- samerica. ening to be put in place if there are clear signs of inflationary pressures building up. The target for the Fed Funds

Given evidence that the pace of ate of Morgan Stanley. growth in the economy has corning Glass Works rose \$1/2 slowed down, the Fed's comfort to \$57 after the company level on the inflation front has announced second quarter net

rates, the dollar and company

Thursday meeting.

Can in initial tom an

production of the 924, its smallest

man subsidiary of Texaco of the

Utility RWE edged up DM1 to

and cheapest model

per grouping

Australia (88). Austria (16) ... Relgium (63).

Denmark (39)

(102) (102)

Japan (456) ... Malaysia (36) Mexico (14) ...

New Zealand (21).

United Kingdom (327).

Pacific Basin (673) . Euro-Pacific (1683)

North America (702)... Europe Ex. UK (683) Pacific Ex. Japan (217). World Ex. US (1882)...

World Ex. UK (2132) World Ex. So. Af. (2399). World Ex. Japan (2003)...

The World Index (2459)...

Norway (25)..... Singapore (26)... South Africa (60)

Spain (42) Sweden (35)

USA (577) ..

Europe (1010)

trade figures, which seemed to indicate a genuine underlying improvement, and a robust per-

formance by the dollar. The bond rally last week came mostly on overseas demand. buying was also reported in the equity market, suggesting that at one of its plants. the stronger dollar was actively encouraging flows into US mar-

Yesterday, the dollar declined from earlier highs of Y131.70 and DM1.8300 after the US Federal Reserve was reported to have intervened, selling dollars in New York. This was one factor undermuch as % point lower at midsession with the Treasury's benchmark long bond down g point to yield 8.898 per cent.

The focus of attention in both markets remains interest rates.

The US Federal Reserve's policy making Contact and point in the point in markets remains interest rates. ornia Edison which carries a 7.2 The US Federal Reserve's policy per cent dividend yield and goes making Open Market Committee ex-dividend today. Trading was making Open Market Committee ex-dividend today. Trading was meets amid expectations that also heavy in two other stocks monetary policy will be kept on due to go ex-dividend today.

Equity traders said activity was otherwise almost non-exis-

The target for the Fed Funds rate may already have shifted from the 7% per cent to 7% per cent tange which seemed to be in place recently. Fed Funds traded above 7% per cent for most of last week and even erred towards 7% per cent towards the end of the week.

Given exidence that the page of the featured stocks yesterday were Fort Howard, the manufacturer of sanitary paper products, which had jumped \$3% Dome Petroleum lost 2 cents to \$53% by midsession on news that it had agreed to be taken over for \$53 a share in a leveraged buy-out by members of its senior management and an affiliate the page of the featured stocks yesterday were Fort Howard, the manufacturer of sanitary paper to \$3,428.40.

The composite index was 21.60 Dome Petroleum lost 2 cents to \$2,428.40.

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The composite index was 21.60 Dome Petroleum lost 2 cents to \$2,428.40.

The composite index was 21.60 Among other featured stocks

Other positive background factors are the last two sets of US share compared with \$1.13 a year ling stake held by Placer Dome, which was down C\$\%.

the sale of stock.

Commercial Metals slumped \$2% to \$27%. The company said its Karchmer Iron & Metals subsidiary was being investigated by Federal authorities for alleged violations of environmental laws

System Integrators, the manufacturer of text editing equipment, rose \$1% to \$7% after the company's chairman, who already owns 43 per cent of the common stock, said he was offering \$7.25 a share for the rest. Pacific Gas & Electric dropped \$% to \$15%. The company said

Canada

Northern States Power and Transamerica.

INVESTORS sold golds, energy stocks, industrials and base metals as the US dollar declined, leaving Toronto stocks lower at The composite index was 21.60

C\$37%. Falconbridge was down C\$% at C\$264. This week, the Ontario Securities Commission holds a income from operations of \$1.80 a hearing on its bid for a control-

MARKET PROFILE



Switzerland

THE SWISS equity market comprises three stock exchanges, Zurich, Geneva and Basie, which are now linked by a computerised

base. It claims to be the fourth largest in Europe in terms of market result is significant differences capitalisation after the UK, Germany and France, and the third shares in nominal value, tradabilor fourth in trading volume. This shares in nominal value, tradadulor fourth in trading volume. This ity and, often, voting rights. A latter affirmation is dublous as third share category, participational tax returns, lump together its under the country business.

Maket content business.

Maket content business. Market capitalisation currently

listed in Zurich, which has by far The market is dominated by a

Share registration rules under fire

shares of eight companies - led to call for change.

by Nestle and Union Bank of The Swiss maintain the open Switzerland - accounting for more than half the total.

An important feature of the market, highlighted in recent arguments over the bids for Rowntree of the UK by two Swiss groups. Nestle and Jacobs Suchard is the virtual ban on the purchase by foreigners of regis-tered shares in Swiss companies.

closed-circuit quotations display To ensure against takeovers, system, with plans to create a most Swiss corporate statutes fully electronic tripartite trading allow their boards to refuse to register shares held by foreigners or other unwanted outsiders. The between registered and bearer

Swiss politicians, pension fund stands around SFr180bn (\$120bn), managers and even stock with 526 Swiss and foreign stocks exchange authorities, foreseeing demands for reciprocity in finan-cial practices from the European Community when its single mar-

few heavyweights, with the, ket comes into being, have begun

outcry or auction system even when they build new exchanges, as Geneva and Basle have just

The tripartite bourse association, however, has ambitious modernisation plans. The three exchanges have a closed-circuit link displaying quotations at dealers desks and a trade-matching system already in place. A planned computer assisted tradtraded on all three exchanges, delivery is effected through the has just been abandoned. Instead Swiss Interbank Clearing system, the three exchanges are aiming SEGA. for a fully electronic securities market by the early 1990s. This

STOCK MARKET FACT CHART

Market capitalisation: \$Fr180.5bn (\$1 = \$Fr1.51, £1 = \$Fr2.60) Number of shares listed: 301 Swiss, 225 foreign Top 10 stocks, percentage of market: 59.5% Trading hours: official - 10.30am - 1/1.30pm: after hours -

Individual stocks if requested Average daily turnover, 1988: SFr2.2bn (covers all securities) Main Indices: Swiss Index, Swiss Bank Corporation General, Credit

Current level of index (Crédit Suisse):470.1; 1988 high: 472.2 (23/6); 1988 low: 406.6 (4/1)

Settlement: cash - three days after transaction Priespenhaersverein, Gleicherung 5, 5001 Zerich. Tek (41 1) 229 2111.

ing system for bonds, which are transaction date and physical

market by the early 1990s. This ambition has been reinforced by have started to co-ordinate traditions successful launch in May of launch am. It continues until all listed The banks act as floor brokers. stocks have been called, usually The banks act as floor brokers, stocks have been caned, usually The Swiss settlement system is between 1 pm and 1.30 pm, but fast, and big investors took can be prolonged if the volume is advantage of this feature to realise cash in a hurry during the hours trading on the floor, but October crash. Cash deals are settled three business days after the

The rate of withholding tax on dividends is 35 per cent, recoverable by investors whose countries have double taxation agreements with Switzerland.

Investors buying or selling shares or bonds pay a federal stamp duty of 1.5 per cent of the market value of the transaction for foreign securities and 0.75 per cent for Swiss securities. This is the first in a series of market profiles that will run

during the summer. Amsterdam will be featured tomorrow.

William Dullforce

SOUTH AFRICA

A WEAK bullion price and weak financial rand ensured uncertain trading in Johannesburg. Goldshare prices remained largely static, a trend followed by the rest of the market.

Losses in Driefontein and Kloof, off 75 cents at R31.75 and 50 cents at R28.50 respectively, mainly reflected ex-dividend factors. Among quality issues, Vaal Reefs closed up R3 at R250, but Randfontein lost R4 to give R250.

Industrial group Rembrandt's expected restructure pushed up Remgro shares 70 cents to R14.70.

ASIA

Inflation fears push Nikkei lower

Tokyo

THE DOLLAR'S rise above Y131 re-ignited inflation fears in Tokyo yesterday and dampened buying interest, sending the Nikkei average sliding further down, writes Shigeo Nishiwaki of Jiji Press.

The Nikkei ended 121.20 lower

than Saturday's close at 27,435.01 after moving between a high for the day of 27,598.14 and a low of 27,385.62. The average has declined by 907 points, or 3.2 per cent, since the present downturn began seven trading days ago.

Volume yesterday shrank from Friday's 1.57bn to 941m shares. Declines outnumbered advances by 543 to 305, with 189 issues unchanged. It was the final day of trading

for June settlement and this left investors inactive. Another unfavourable factor was the surge in the dollar above the Y131 level on the Tokyo foreign exchange market for the first time in about four and a half months. The US currency's strength

added to concern over inflation and the prospect of higher inter-

by sharply lower bond prices, on the Tokyo Stock Exchange, Sentiment was affected also by triggered by speculation that the closing at 4.990 per cent. It later the fall in Tokyo and the Hang Bank of Japan may soon guide rose further to 5.000 per cent in Seng index lost 17.9 to 2.639.66. inter-dealer trading. Osaka Securities Exchange

short-term interest rates higher.
Trading was lacklustre in the
morning, but turned more active
in the afternoon on sharp gains
in two large steel issues – Kobe
Steel and Kawasaki Steel – due to buying by investment trusts. Buying interest later spread to other steels and to shipbuildings Some non-ferrous metal stocks also attracted popularity on higher prices for the commodity; Nippon Mining gained Y15 to

High-technology issues stayed sluggish in small-lot selling. Bonds tumbled on the likelihood of higher interest rates, with the yield on the beliwether 5.0 per cent government bond due

in December 1997 surging above 5 futures and cash bonds for hedg-ing purposes amid the growing likelihood that the Bank of Japan will tolerate higher commercial

bill discount rates.

stock prices continued falling in inactive trading, with the OSE stock average ending 91.40 points lower at 27.782.58, on a volume of 87.12m shares.

Singapore LIGHT profit-taking and an

absence of institutional buying led shares lower, with the Straits Times industrial index easing 4.74 to 1,077.95. Turnover was smaller than on Friday, at 47.5m shares against

Activity focused on Malaysian speculative stocks and low-priced issues. Promet saw the most trading, rising I cent to 45% cents, with 2.7m shares changing

Hong Kong

In properties, Sun Hung Kal Properties dropped 50 cents to HK\$11.40, New World 30 cents to HK\$11.50 and Cheung Kong 10 cents to HK\$7.85. Hongkong Land eased 5 cents to HK\$7.70. Attention switched to utilities, with China Light finding 10 cents

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Australia

LATE buying pulled prices up from early lows and equities closed marginally weaker, with the All Ordinaries index easing

Mining stocks were the hardest hit in response to the drop in bullion prices. In golds, Emperor lost 14 cents to A\$3.06, Renison 10 cents to A\$9.70 and BHP Gold 2 cents to 87 cents.

News of a scrip takeover bid by Poseidon, down 1 cent at A\$2.44, led to gains for Anglo American,

High-technology company Saradded to concern over inflation
Indicated the prospect of higher intersist rates.

The yield on the benchmark
issue climbed from last Saturates on Saturday, to their highcent finish to 5.000.

The stock market was also hit per cent briefly in block trading

THE rise in domestic interest in the role of Technology. Trust rose 20 rates on Saturday, to their highcent briefly in block trading especially in the property sector.

The stock market was also hit per cent briefly in block trading especially in the property sector.

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Trading hit by interest rate worries

results hit turnover and share prices in most European bourses NEWS of the far worse-thanyesterday, writes Our Markets expected UK trade figures sent share prices into a virtual free Staff.
FRANKFURT drifted quietly fall, with the market ignoring lower after Friday's sharp gains as concern set in about the dol-

lar's continued rise and the possi-bility that the Bundesbank will increase the discount rate at its

The frantic short-covering that demand. helped send Siemens surging on

foreign investors mainly out of sight. UK institutions are said to be awaiting consolidation to Club Méditerranée, which fore-cast a sharp fall in interim prof-stock to gain from the strength of slightly lower levels before they move back into a market now cast seen as fundamentally sounder its. yesterday at DM405.10, while higher annual group profits, Deutsche Bank lost DM6 to DM433.50, taking other banks lower. Cars were mostly soft, but Porsche held steady at DM519 profit this year if metal prices and evolvenge rates remained at any explange rates remained at any explanation and provided remained at any explanation and provided rates and provided and exchange rates remained at after confirming it was stopping

DM219 after receiving the ian financier Mr Carlo De Bene moderate trade as fears over the go-ahead from the federal cartel detti, lost FFr25.90 to FFr491.10 possibility of higher interest office to take over the West Gerafter news late last week of a rates overshadowed the good after news late last week of a pact with Suez over Société Gén-érale de Belgique. Suez eased

week's strike, and the EFX 50 eased 2.34 to 353.32.

MONDAY JUNE 27 1988

115.41 83.10 65.24 94.40 117.96 62.34 141.15 148.33 90.15 69.93 106.83 105.44 134.22 102.47 69.36 113.60 95.64

91.70 138.65 119.89

96.44 78.07 108.59

119.45 109.89 110.23 95.38

110.21

federal bond rose to 6.73 per cent from 6.68 per cent.

PARIS had a quiet day and closed little changed, with only a gains it has seen since the market consolidated the casing 80 cents to F1 31.90 and Royal Dutch F1 2 to F1 229.80.

144,34 83,72 119,51 126,99 127,96 132,57 95,45 74,94 108 43 135,50 71,61 151,05 170,38 103,36 103,36 122,18

117.71

79,67 130,50 109,86

89.67 124.73 137.21

-1.7 -1.5.7 -0.8 -0.5.7 -1.5.7 -0.8 -0.5.7 -1.5.4 -1.4.1 -

-1.5 -1.1 -1.2 -1.6 -0.4 -1.3 -1.2 -1.3 -1.6

rally on the stronger dollar failed as Wall Street opened weakly and the FT-SE 100 index lost 29.8 to 1,841.5, with property and consumer sectors hit by fears over higher interthe potentially positive effects of the falling pound.

An attempt by blue chips to

their present levels, fell FFr3.40 to FFr69.10. Cerus, the French arm of Ital-

Bonds fell to eight-month lows FFr5.50 to FFr208.

few select stocks seeing good monthly account began on June 16. The MIB index was steady at Volume was low at an esti- 1,057 after a strong start was

Friday gave way yesterday to a mated FFr700m-FFr800m, in spite eroded by profit-taking.

The FAZ index shed 0.33 to after last week's strikes by L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,400 to the return to normal trading Generali closed L150 higher at L87,650 but eased back to L87,650 but eased back to L87,65 referred to the session as being annual general meeting today.

"pretty indifferent."

Concern over leisure group

annual general meeting today.

Fiat added L91 to L9,260.

MADRID edged upward as for-

seen as fundamentally sounder its, pushed the stock down the dollar against the peseta by than at the start of the year.

Siemens gave up DM7.40 of its FFr478.50. Sugar producer Wall Street. The general index DM17.50 jump on Friday to close

Béghin-Say, which predicted gained 0.71 to 297.88. Telefónica closed up 2.50 per-centage points at 198.75 per cent of par. In banks, Banesto rose 6

to 1,405 of par after news that possible obstacles to its merger with Banco Central had been resolved. Banco Central was AMSTERDAM ended lower in

news for the market of a firmer The CBS all share index fell 1

amid selling on the strength of the dollar, but trading was thin.

The CAC General index was to 91.4 as the profit-takers unavailable because of last unavailable because rose last week on the dollar's

US Dollar Index

133.38 96.18 74.55 109.20 137.39 71.98 163.85 152.36 167.70 104.75 81.45 124.85 124.85 124.23 125.09 119.36 79.92 134.15 134.15

106.96 160.98 139.39 112.59 90.07 126.38 138.91 127.78 128.35 111.31

126.20 72.41 104.04 110.77 114.64 82.67 64.07 93.85 118.08 130.95 144.14 90.03 70.01

107.31 105.96 106.68 133.29 102.58 68.69

115.30 95.97

91.93 138.36 119.80 96.77 77.41 108.62 119.39 109.82 110.31

FT-ACTUARIES INDICES

Gross Div. Yleld

3.72 0.74 1.66 3.54 3.18 3.92 1.74 2.13 2.32 3.63

2.34

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Currency Index

119.94 91.90 70.85 108.57

129.14 72.14 134.10 151.22 425.67 96.87 61.88 109.50 115.50 85.82 140.45 109.17 74.36 113.61 109.86

117.84 109.95 85.32 109.26 117.42 114.89 114.96

114.76

lost 1.7 points to 470.1. Holding companies were mixed, with Adia bearer gaining SFr75 to SFr8,500 after an announcement that its US divi-

sion planned a 1.1m share issue. Among machineries, Asea Brown Boveri ended slightly up on the day after early losses: if said it had won a Saudi order for four gas turbine units.

BRUSSELS eased on continued

Street's easier tone on Friday. The Crédit Suisse stock index

profit-taking, with the forward market index falling 75.7 to Recent favourite Petrofina lost BFr300 to BFr13,300, with 20,000 shares changing hands after recent rumours of stakebuilding. Chemicals were lower as investors sold for profit, and Solvay

lost BFr150 to BFr13,025.

Tractébel saw strong demand however, based on its fundamen-tals, rising BFr50 to BFr7,200. STOCKHOLM followed the

main global stock markets down in dull trading, with the Affars-variden index falling 3.6 to 856.5. Trading was suspended in cement and building materials company Euroc and in industrial group Componenta, at their

request, pending an announce Restricted A shares in car-maker Saab-Scania lost SKr3 to SKr194 after last week's news of

an almost 40 per cent drop in four-months profits. HELSINKI closed slightly higher, reversing falls in the pre-vious four trading days. The Uni-tas all-share index gained 0.1 points to 721.2. Turnover was a

DOLLAR INDEX

91.16 83.72 99.14 107.06 111.42 106.78

72.77 67.78 84.90 104.60 62.99

90.07 95.23 64.42 98.55 97.99 118.16

130.73 96,92 75.60 123.09 99.19

97.01 130.81 120.36 99.78 80.27 87.51 120.26 111.77

133.82 85.79 120.86 128.10 117.35

106.59 96.94 124.92 131.77 98.29 142.69

171.34 247.82 122.52 98.27 138.57 146.71 157.70 123.93 113.51 98.77 149.02 125.71

104.82

128.64 133.84 128.85

150.35 98.18 139.89 128.91 132.72 139.53

99.62 80.79 109.20 141.54 81.74

177.27 152.36 180.07 110.66 84.05 132.23 123.33 139.07 164.47 125.50 86.75 141.18 112.27

92.99 128.15 146.49 131.77 132.39 112.43

118.41 79.07 113.29 112.25 120.12 119.18 92.26 70.50 109.36 130.18 72.09 135.27 152.10 418.98 97.91 60.98 110.32 115.67 85.45 140.23 140.23 140.23 140.23 115.67

96.90 133.38 118.81 111.72 85.42 109.81 118.38 116.09 116.22 106.34

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Base values: Det 31, 1986 = 100; Finland; Det 31, 1987 = 115,037 (US 5 Index), 90.791 (Pound Sterling) and 94,94 (Local).
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CONSTITUENT CHANGES: At the quarter-end review of the FT-Actuaries World Index. It was decided to make the following additions to constituents with effect from July 1, 1988; Glant Resources (Australia), Federal Pioneer, Four Seasons, St. Lawrence Cement and Trimuc (all Canada); Sampo A.(Fioland); Comptours Modernes, Ingenico, Pechelbronn (certs. of lows.) and Talttinger (certs. of lows.)
(All France), Viag (West, Germany); Torras Hosteach (Spain), Adolph Coors, Bandag Inc., Bear Steares, First Fidelity Bancerp, Food Lion, Legett Platt, Mine Safety Appl., Rusself Corp. and Seque fall to was also decided to make the following classification change: Navigation Mixte (France) to Div. Financial Hids